

USAID/JORDAN
STRATEGIC OVERVIEW, 1997-2001

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LIST OF ACRONYMS

ARI	Acute Respiratory Infections
CIP	Commodity Import Program
CPP	Comprehensive Post-Partum Project
DHS	Demographic Health Survey
EPU	Executive Privatization Unit
ERDL	Economic Reform and Development Loans
FORWARD	Fostering Resolution of Water Resources Disputes Project
FSN	Foreign Service National
GOJ	Government of Jordan
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
IMF	International Monetary Fund
IPC	Investment Promotion Corporation
IPR	Intellectual Property Rights
IR	Intermediate Result
JAFPP	Jordan Association for Family Planning and Protection
JES	Jordan Environment Society
JTC	Jordan Telecommunications Corporation
JVA	Jordan Valley Authority
KAP	Knowledge, Attitude and Practice Survey
MERC	Middle East Regional Cooperation
MOHHC	Ministry of Health and Health Care
MWI	Ministry of Water and Irrigation
NICU	Neonatal Intensive Care Unit
NPC	National Population Commission
PHC	Primary Health Care
PNA	Palestinian National Authority
R4	Results Review and Resource Request
RAPID	Resource Awareness for Population in Development
SO	Strategic Objective
SPP	Social Productivity Program
SPRP	Sector Policy Reform Program
TRIDE	Trilateral Industrial Development
USDH	US Direct Hire
USPSC	US Personal Service Contract
WAJ	Water Authority of Jordan
WID	Women in Development
WTO	World Trade Organization

EXECUTIVE SUMMARY

Dramatic changes in the parameters surrounding the USAID program in Jordan require a strategic reassessment. *USAID funding levels have increased tremendously, from \$7.1 million in FY1996 to \$126 million in FY1997. Allocations for FY1998 have been placed at \$140 million, and the level is expected to exceed \$125 million annually through at least the year 2001. Staffing levels will however remain roughly at the current, relatively modest level.*

Politically, *the greatly expanded program reflects ongoing USG support for a stable and moderate government committed to peaceful solutions to the region's problems.* Throughout the difficulties of the peace process, King Hussein has played a vital role in resolving potential conflicts and maintaining dialogue among the various parties involved. This essential contribution has continued despite growing domestic opposition to Jordan's October 1994 peace treaty with Israel and a pervasive feeling within Jordan that the long promised "peace dividend" has yet to materialize. *Maintaining a strong U.S.-Jordan partnership is key to sustaining dialogue and maintaining stability within the Middle East.*

Economically, *Jordan is following a fairly steady course toward market-based policy reform that will integrate the country more fully within the wider world economy.* Economic growth rates have been impressive, averaging 5-6 per annum in recent years. The overall debt burden has declined to a much more manageable 83 percent of GDP. Foreign exchange reserves have climbed to almost \$1.7 billion, providing a foreign exchange "cushion" equal to almost five months of imports. However, *these impressive macroeconomic achievements have not yet made a dent in Jordan's growing unemployment and poverty figures.* Failure to spread the benefits of economic growth more equally will almost certainly prove destabilizing and increase opposition to the ongoing peace process with Israel.

This new strategic reassessment follows two other strategy documents undertaken during the 1990s, both following significant changes in the USAID operating environment. The first, formulated in July 1992, responded to the near-collapse of Jordan's economy following the Gulf War and the return of several hundred thousand Jordanians from elsewhere in the Middle East. The second, finalized in January 1995, emerged out of the optimism surrounding signing of the peace treaty with Israel and the early days of the Middle East peace process. *Both previous strategy documents were written within the context of a USAID program significantly smaller than the one now envisaged.*

The new strategy document takes as its starting point *the central issue facing Jordan as it moves into the next century: how to turn a small, resource poor country into a dynamic regional economic player that is more competitive and more efficient in the context of a global economy.* Key constraints include rapid population growth, placing enormous pressure on Jordan's ability to provide needed jobs and social services; scarce water supplies, making Jordan the most water-poor country in a region already noted for extreme water scarcity; and lack of economic opportunity, characterized in part by growing unemployment rates and growing income inequality. In sum, *Jordan faces a situation in which it has too little water, too many people, and too few jobs.*

The first two problem areas--not enough water and too rapid population growth--were identified as key concerns in the previous two USAID strategies. They remain as vital concerns now. The third problem area--lack of economic opportunity--is a more recent development, one that reflects changes in Jordan's overall macroeconomic performance since the last strategy review. In particular, *impressive economic growth rates have not been sufficient to overcome growing concerns about equity.*

The problem analysis thus affirms the USAID strategy of focusing on three main Strategic Objectives:

- First, *improved water resources management;*
- Second, *increased practice of family planning with an emphasis on modern methods;* and
- Third, *increased economic opportunities for Jordanians.*

From a USAID perspective, *Jordan's long term development prospects hinge to a large extent on its ability to broaden the impact of economic growth and ensure that it remains sustainable.* The seemingly positive foreign exchange situation represents an important case in point. Jordan's performance here has been impressive by any standard, aided in part by a tight monetary policy and the elimination of foreign exchange controls. But this effort has been strongly supported by unusually high foreign assistance levels and by several extensive debt rescheduling or forgiveness exercises, both of which are viewed as temporary measures. *By 2001, Jordan should be able to rely on private investment rather than outside donor investment to finance the lion's share of its economic growth.* At the same time, if concerns over lack of water and high population growth rates are not adequately addressed, *no* amount of private investment will be enough to keep Jordan on a path toward sustainable, long-term development.

The strategic construct emerging out of this assessment thus parallels to some extent approaches followed earlier, especially as regards programs related to water and family planning. As for issues related to economic growth and equity, *the new strategic construct builds on and expands the "economic opportunity" Strategic Objective approved in Washington last spring.* In particular, it envisages a an expanded set of business service activities, including microfinance programs aimed at the more economically vulnerable sections of society; a much more expansive program of identifying and then implementing key areas of policy reform; and a significant cash transfer program that helps support the process of economic restructuring now well underway. Taken together, increasing economic opportunity, expanding water resource availability, and improving delivery of health services will demonstrate the benefits of peace to the Jordanian public, thereby helping to strengthen the constituency for peace.

Issues and concerns related to the development and implementation of this strategy are addressed at length in the pages that follow. Several specific decision points requested from Washington are summarized in Annex A. These include, among others, (1) approval of the overall strategy construct as presented; (2) approval of specified wording changes in the new "economic opportunities" Strategic Objective approved by Washington last spring; and (3) approval of this document as the new USAID strategy for Jordan.

PART ONE:	ANALYSIS OF USAID ASSISTANCE ENVIRONMENT AND STRATEGIC RATIONALE
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A. Introduction: The strategic parameters of the USAID program in Jordan have changed dramatically. From a Mission considered for phase down only a few years ago, USAID/Jordan has now been catapulted into the ranks of the half dozen largest USAID missions worldwide, with obligations in FY1997 surpassed only by those to Israel, Egypt, Bosnia and Ukraine.

The expanded program stems in large part from the establishment of the Middle East Peace and Stability Fund announced by President Clinton on June 17, 1997. The fund aims to provide additional resources for countries making a positive contribution to Middle East peace. As a result of this initiative, total USAID funding for Jordan increased from \$7.1 million in FY1996 to \$126 million in FY1997 and \$140 million in FY1998. Funding levels in the range of \$125-\$150 million annually are also anticipated in each of the next four years.

The new five-year commitment to an expanded USAID program in Jordan provides a unique opportunity to make a lasting difference. The fact that Jordan is a relatively small country makes the funding levels all the more significant. On a per capita basis, only Israel, Bosnia and the West Bank/Gaza receive more USAID assistance than Jordan. Indeed, in FY1997 USAID levels to Jordan were on the order of \$28 per capita or the equivalent of some \$200 per household.

Increased aid levels for Jordan to a large extent reflect the changing political and economic landscape within the region. Most of the early optimism associated with peace has long since disappeared. There have been occasions when the peace process verged on collapse. However, even in these difficult moments, King Hussein played a vital role in resolving potential conflicts and maintaining dialogue among the various parties. This essential contribution has continued in the face of growing domestic and regional opposition to the peace treaty with Israel and a pervasive feeling within Jordan that the long-promised "peace dividend" has proved to be nothing more than rhetoric. Despite the formidable obstacles standing in the way of a lasting peace, a strong U.S.-Jordan partnership is viewed as key to sustaining dialogue and maintaining stability within the Middle East.

The purpose of this document is to provide a strategic vision for what the USAID program hopes to accomplish in Jordan over the next four years. Among other things, this entails an appreciation of the current economic situation in Jordan. In addition, it involves an understanding of the existing USAID/Jordan "Strategic Plan," drafted immediately following the signing of the peace treaty between Jordan and Israel on October 26, 1994. Finally, some

sense for USAID's own operating environment and constraints as well as the views of its major "customers" and "stakeholders" in both the United States and Jordan is also important.

B. Country Overview: Jordan is a small country located in a violent neighborhood. Measuring 89,000 square kilometers, it is comparable in size to Austria, Portugal or Scotland. Its population is slightly more than four million, roughly equal to that Norway or Nicaragua. Population growth is estimated at 3.7 percent, making Jordan one of the fastest growing countries in the world. The demographic profile to some extent resembles that of a more developed country, with an urbanization rate of more than 70 percent, life expectancy of 70 years, and an adult literacy rate of 85 percent.

Economic comparisons are also revealing. Jordan ranks as a middle income developing country, with a per capita income on the order of \$1,500 that places it ahead of Indonesia or Morocco but behind Tunisia or Thailand. With an estimated real GDP of some \$7.3 billion, the economy is comparable in size to that of Kenya, Ivory Coast, or one of the Baltic republics. With respect to economic output, the World Bank figure for Jordan of \$6.1 billion in 1994 was considerably smaller than that of immediate neighbors such as Israel (\$78 billion), Saudi Arabia (\$117 billion), and Egypt (\$43 billion).

Jordan's natural resource base is limited. An estimated seven percent of the country's land area is arable. Water resources are in extremely short supply, even by Middle Eastern standards. Other than potash and phosphate, Jordan has almost no natural resources that can be exported to a wider market. Like other countries in similar situations, it must instead rely on the technical skills of its labor force to compete within the global economy.

Structurally, the Jordanian economy appears relatively balanced in the sense that no single sector clearly dominates. Several sectors make major contributions to GDP, including finance and other services (19.3 percent), manufacturing (16.2 percent), transport and communications (13.9 percent), trade (11.3 percent) and construction (8 percent). The agricultural sector represents approximately 5 percent of GDP. More startlingly, though, is that government services represent 18 percent of GDP and more than one third of the labor force is employed by the government. The value of state owned enterprise assets may be as high as \$3 billion, many of which are non-productive. In 1997, the government transferred nearly \$65 million to help prop up these enterprises, funds that otherwise could have been made available for health, education or other high priority activities.

Jordan's trade patterns and sources of foreign exchange are also relatively diverse, especially considering the small size of the economy. For example, despite sanctions, Iraq remains one of Jordan's leading export markets, accounting for some 13 percent of its exports in 1997 (down from as high as 80 percent a few years ago); several other countries, including Saudi Arabia, the United Arab Emirates and India each accounted for at least five percent of its exports. As regards sources of foreign exchange, the "big three" remain remittances (\$1.5 billion), tourism (\$750 million) and phosphate, potash and fertilizer exports (\$590 million).

Taken together, services--including worker's remittances, tourism receipts, and medical and technical services--account for the lion's share of Jordan's foreign exchange earnings. A strong performance on the service side, combined with debt relief and continued aid flows, contributes greatly to Jordan's strong current foreign exchange position, with overall foreign exchange reserves having climbed to nearly \$1.7 billion by the end of the third quarter in 1997. Total foreign debt at the end of 1997 stood at \$6.6 billion, or 83 percent of GDP. This is a manageable level by any standard and represents a significant improvement over that reported in the July 1992 USAID/Jordan strategy, when debt exceeded annual GDP by nearly two fold and Jordan's debt-to-GDP ratio was probably the highest in the world.

As these figures suggest, management of Jordan's *macro* economy since the Gulf War has by and large been excellent. The economic implosion immediately following that conflict--and the return of 420,000 Jordanians who up until that time had worked in various Gulf countries--was arrested by 1992, when growth rates rebounded to more than 11 percent. Over the five-year period 1993 to 1997, annual growth rates averaged six percent per annum, a strong performance that almost any country would envy. Inflation has in large part been kept under control. Workers remittances are rising and Jordanians are once again finding employment opportunities elsewhere in the Middle East.

Despite relative economic stability and several consecutive years of high GDP growth, issues relating to equity, poverty, and unemployment are growing in importance, fueled to some extent by a feeling that the promised benefits of peace have yet to materialize. Statistics here are difficult to obtain and sometimes contradictory. Nonetheless, it appears that unemployment rates are at least 22 percent and may be as high as 27 percent. Poverty rates have also grown dramatically, from an estimated three percent in 1986 to perhaps 25 percent today.

Worsening inequality and a perception that the benefits of economic growth are retained by a limited proportion of the population complicates efforts to bring about lasting economic change. Peace with Israel, in particular, has become a lightning rod for popular discontent; to some extent, IMF and World Bank-sponsored structural adjustment and other reform programs have also been criticized. A failure to spread the benefits of economic growth more widely will make future efforts to expand and sustain reform even more problematic.

The foundering peace process also puts strains on Jordan's nascent experiment in democracy. The country remains among the most open of any in the region. However, press freedoms have on occasion been curtailed and a boycott of the November 1997 parliamentary elections on the part of the major Islamist party means that a significant grouping within the country is not represented in the 80-seat lower house. Also, many Jordanians were disappointed that none of the 17 women who campaigned for parliamentary seats were voted into office (the King did appoint three women to the 40-seat upper house). There is a growing concern that a more polarized polity in Jordan will potentially undermine the stability of the state, even as a widening income gap threatens the sustainability of Jordan's economic reform process.

C. Changes Since Most Recent USAID Strategic Plan: Strategic updates are typically launched in response to major changes in an operational environment or major increases (or decreases) in funding levels. Two such strategic plans have been prepared by USAID/Jordan in the 1990s. The first, dated July 1992, was formulated in response to the near-collapse of Jordan's economy following the Gulf War and the return of several hundred thousand Jordanians who had previously worked in various Gulf countries. The second, dated January 1995, emerged out of the optimism surrounding the signing of the peace treaty with Israel and the early days of the Middle East peace process.

USAID support to Jordan under both strategy documents was relatively modest, averaging \$21 million a year between 1990 and 1996. In fact, the major U.S. economic contribution to Jordan in connection with the peace treaty involved debt forgiveness, not a hugely expanded aid program. As a result, more than \$700 million in debt owed to the U.S. was written off. This debt forgiveness, combined with debt rescheduling extended by other countries, helped make Jordan's debt burden more manageable, with official debt as a percentage of GDP falling from 103 percent at the end of 1994 to approximately 90 percent by the end of 1996.

Both the January 1995 and the July 1992 USAID/Jordan strategy statements identified three critical constraints facing the country:

- a major financing gap resulting from inadequate foreign exchange earnings;
- an increasingly serious water shortage; and
- unsustainably rapid population growth rates.

The set of Strategic Objectives emerging out of this analysis resulted in a program organized around three main areas of concern:

- increased foreign exchange earnings (mainly through tourism and enhanced exports of certain high value fruits and vegetables);
- improved quality and increased quantity of water available for use; and
- increased contraceptive prevalence rates.

Looking back, the analysis of constraints and proposed interventions in the water sector and in family planning hold up very well. The specific activity mix has of course varied, depending on the availability of funds. In addition, marked improvements have been achieved in both strategic areas. However, the needs in these two critical sectors remain large and the rationale posited for USAID involvement in both water and family planning in 1992 and again in 1995 continues to be relevant today.

By contrast, the analysis of Jordan's grim foreign exchange situation has largely been overtaken by events. In 1992, Jordan faced severe difficulties, with foreign exchange reserves estimated at \$770 million, enough to cover 2.4 months of imports. By 1995, the situation was even bleaker, with foreign exchange reserves dropping to around \$427 million, covering 1.5 months of imports. The situation has improved markedly over the last two years. As a result

of policy reform and the tight fiscal policy maintained by the Central Bank of Jordan, foreign exchange reserves now approach \$1.7 billion and provide coverage for nearly five months of imports.

The dramatic improvement in the foreign exchange situation parallels improvements that have taken place in other areas of the macro economy. For example, over the last five years, Jordan has maintained average annual growth rates on the order of 5-6 percent while controlling inflation at less than six percent per annum. Similarly, Jordan's overall debt burden is far more manageable than it was even five years ago, with total foreign debt falling from more than \$8.3 billion in 1991 to \$6.6 billion in 1997 and debt as a percentage of GNP declining from 186 percent to perhaps 83 percent during the same period.

D. Strategic Rationale for USAID Assistance in Jordan: The recent, massive increase in USAID program funds for Jordan is the immediate reason for this new strategy document. However, several other factors also underscore the importance of re-examining the major parameters of the USAID program in Jordan and ensuring that there is consensus among the major "customers" and "stakeholders" involved. At a political level, there have been important changes in the regional strategic situation, partly as a result of the foundering peace process. At the economic level, the Jordanian economy continues to undergo significant structural change.

Politically, the strategic rationale for a strong USAID presence in Jordan is more compelling than ever. Jordan has received high marks for its efforts to make the peace process work, despite the series of crises that have complicated discussions between Israel and the Palestinian National Authority (PNA) and made negotiations much more difficult. From a U.S. perspective, Jordan has "gone the extra mile" to promote dialogue among all groups within the region. Expanded USAID funding levels provide tangible evidence of continued U.S. support to Jordan at a time when considerable political risks are being taken in the interests of peace.

Economically, several factors underscore the importance of ensuring an effective USAID program in Jordan now. Chief among these is the sense that "ordinary" Jordanians have not benefitted from peace with Israel. Unemployment and poverty rates are increasing, and there is little doubt that, despite positive macro economic indicators, income distribution in Jordan is worsening. Ironically, the dire foreign exchange situation--one of the darkest clouds hanging over the Jordanian economy back in 1995--has dramatically improved. At the same time, tensions surrounding achievement of the classic economic goal--growth with equity--are emerging as perhaps *the* central development concern facing Jordan in the late 1990s.

The convergence of these and related political and economic concerns will shape USAID programming in Jordan over the next several years. Funding levels, in particular, are largely determined by political factors that lie outside USAID's immediate control. However, once levels are established, USAID is responsible for developing and implementing an effective aid

program that responds to Jordan's most pressing economic constraints and promotes sustainable, long-term development.

E. Operational Opportunities and Constraints: Political and economic considerations in Jordan and the Middle East shape much of USAID's operating environment. At the same time, this environment is affected by several factors, including some which conflict with each other and others over which USAID has little or no control. These in turn have a substantial impact in shaping both strategic and operational aspects of the USAID program in Jordan. Specifically, any strategic construct prepared by USAID/Jordan and approved by USAID/Washington must take into account the following issues and concerns:

-- Continued Funding Uncertainty: Historically, USAID funding levels to Jordan have been very unpredictable. Even during the 1990s, annual allocations have varied enormously, falling to zero in FY1992, jumping to \$65 million in FY1993, and then dropping sharply in each of the next three years before increasing to \$126 million in FY1997. This unpredictability is partly because of the vagaries of the U.S. budgeting process and partly on account of unpredictable political and economic events within the region. Even the most recent multi-year funding commitment does not ensure funding stability over the next four years. Overall funding levels over the next four years should exceed \$400 million, but there could be considerable variation with respect to year-by-year allocations. *Any USAID/Jordan strategic construct must take this never-ending funding uncertainty into account.*

-- Continued Program Flexibility: Adding \$110 million to the USAID program in Jordan in a space of only six weeks during the summer of 1997 represents a real achievement, one that was in large part possible because of a flexible strategic construct that made sense with modest funding levels and yet could expand almost immediately to absorb huge additional funding increases if they became available. This flexibility must be maintained, not only because of funding uncertainty but also because of the potential for rapid economic and political change in Jordan and in the region. The relatively small Jordanian economy has always been subject to severe and often unexpected external shocks. *Any USAID strategic planning tool must be flexible enough to respond to a changing situation on the ground, if and when it occurs.*

-- Maintaining Operational Effectiveness Despite Limited Staffing Resources: USAID operating budgets face severe constraints worldwide. The provision of a trust fund for local operating expenses as part of the cash transfer will help somewhat, but the huge increase in additional program funds will have to be handled with only a very modest increase in staffing levels. Current plans suggest an increase in USDH staff from 10 to 11 and an increase in program-funded US PSC staff from 1 to 3 (this is achieved by adding one PSC and deleting an AAA fellow and replacing it with a PSC). For now, the approved FSN ceiling remains at 36. Further increases, if any, would be modest. Given staffing limitations, *USAID/Jordan must make every effort to limit the potential management burden and adopt strategic approaches that are effective, ensure accountability, and yet entail minimal staffing oversight.*

-- Maintaining Focus and Concentration: Staffing constraints underscore the importance of maintaining focus and concentration, but this concern is by no means the only reason to adopt such an approach. There is also a strong programming rationale for maintaining tight program control. Large and expanding programs invariably provoke widespread interest on the part of many constituencies, especially at a time when USAID's resources worldwide are in decline. Despite these pressures, USAID/Jordan must maintain an interest in doing a relatively small number of initiatives well rather than becoming stretched too thin by trying to take on too much at once. *Our strategic construct should adhere to this principle, emphasizing depth rather than breadth in terms of staking out areas in which USAID ought to be involved.* Activities within specific SOs can on occasion be expanded, but we need to consciously avoid the kind of program proliferation that saps scarce management energy and undermines overall program effectiveness.

-- Responding to Washington "Stakeholders": Maintaining high funding levels for Jordan at a time when USAID funding levels worldwide are decreasing will be difficult. USAID's Washington constituencies--including the State Department and Congress--will be watching the Jordan program closely and will be vitally interested in its success. USAID activities in Jordan must help support overall peace process objectives (the focus on water and economic opportunity should help in this regard, insofar as water is a key peace process issue and economic opportunity directly affects Jordanian public support for the peace process). *USAID/Jordan must be responsive to Washington stakeholders on these and related issues, in part by devising a strategy that provides a clear, easily understandable vision of what USAID hopes to accomplish by the year 2001.*

-- Responding to Jordanian "Customers": Maintaining credibility and support from USAID "customers" in Jordan is equally important. At an official level, this entails discussions with counterparts in the Ministries of Planning, Finance, Industry and Trade, Water, Health, and elsewhere. It is important, too, to ensure that the program has impact in ways that "ordinary" Jordanians can understand and appreciate. The fact that the Government of Jordan (GOJ) is now preparing a new five-year plan covering the period 1998-2002 provides a useful point of departure for discussions on USAID's potential contribution. At a more unofficial level, USAID also needs to be aware of the variety of views among the Jordanian public. In a real sense, the task of USAID/Jordan is easier than the task confronting senior Jordanian policymakers: we don't have to "solve" every issue and concern facing Jordan, but can select among many, concentrating on those in which USAID has a comparative advantage or can offer something that other donors or the GOJ might otherwise not be able to provide. That said, *it is essential to maintain consensus with key Jordanian interlocutors on a shared strategic vision that responds to USAID's programming and accountability requirements and assists Jordan in reaching its own development goals.*

-- Enhancing Donor Coordination: Even when USAID resources in Jordan were relatively modest, the Mission took pride in its ability to use even small activities to help leverage much larger amounts of other donor funding. Increased funding levels now mean that USAID, along with Japan, has once again emerged as the major bilateral donor in Jordan.

Also, an expanded policy dialogue agenda, along with an ability to provide the resources needed to help achieve significant policy reform objectives, underscores the importance of continued close coordination with the World Bank and other multilateral donors on all aspects of program design and implementation. *USAID's strategic construct must complement the work of other donors and ensure that the potential for overlap is minimized.*

PART TWO: STRATEGIC OVERVIEW

A. USAID Strategic Construct: For the next four years, the main development challenge facing Jordan will almost certainly center around a single fundamental issue: *how to turn a small, resource poor country into a dynamic, regional economic player that is more competitive and more efficient in the context of a global economy.* Key constraints include rapid population growth, placing enormous pressure on Jordan's ability to provide needed jobs and social services; scarce water supplies, making Jordan the most water-poor country in a region already noted for extreme water scarcity; and lack of economic opportunity, characterized in part by growing unemployment rates and growing income inequality.

The summary version of the set of problems that USAID must address in Jordan emerges readily out of this analysis and tracks closely with virtually every other study that has been undertaken in Jordan in recent years: *too little water; too many people; and too few jobs.* This formulation is useful in at least two important ways:

-- First, it highlights the fact that the real constraints in Jordan are systemic in nature, cutting across several sectors at once. For example, water is not simply an issue related to the "water sector" but also has an enormous impact on agricultural, urban development, quality of life, and industrialization, among other concerns. Similarly, the employment issue is a pervasive one, cutting across all sectors of the economy at once. In the Jordan context, systemic rather than sector-specific strategic approaches make most sense.

-- Second, the direct links among the three main problem areas identified by USAID are almost immediately apparent. For example, high population growth rates put enormous pressure on Jordan's scarce natural resource base including, most notably, water. So too, rapid population growth makes it enormously difficult to find productive employment for the large numbers of new Jordanians entering into the workforce each year. Failure to address any one problem area would jeopardize progress in all the others.

The over-arching USAID goal for the 1997-2001 period flows naturally from this formulation: to work with Jordanian counterparts *to promote broad-based, sustainable economic growth.* The term "broad-based" helps highlight equity concerns. The word "sustainable" underscores several important themes, including the notion that Jordan must prepare for the day when donor assistance will inevitably end. And the phrase "economic growth" draws attention to the fact that economic expansion is required to improve standards of living and meet the economic and social needs of Jordan's rapidly growing population. All USAID-funded activities are organized around a strategic vision that focuses on three main Strategic Objectives (SOs), each of which helps support and reenforce the other :

- First, *improved water resources management* (SO 2);
- Second, *increased practice of family planning with an emphasis on modern methods* (SO3);
- Third, *increased economic opportunities for Jordanians* (SO5).

The Water and the Family Planning SOs parallel similar ones posited in both the 1992 and 1995 USAID/Jordan strategic planning documents, though the current formulations have been adjusted as a result of further discussion and analysis involving customers in the field and stakeholders in Washington. For example, the water SO underwent a careful and deliberate restructuring during 1996-1997 to ensure maximum measurable impact in this important program area. Similarly, adjustments have been made in the population SO and a new Intermediate Result (IR) was added in April 1997 as new issues and concerns have emerged.

The Economic Opportunity SO, approved by Washington in April 1997, represents a substantial departure from earlier objectives, which had emerged largely in response to the huge foreign exchange shortfall facing Jordan at the time. The current formulation helps draw greater attention to both equity and employment concerns. It also provides an entry for addressing systemic, cross-cutting policy and economic restructuring issues and constraints that affect virtually every area of Jordan's economy and serve as major obstacles to achieving broad-based, sustainable economic growth. Indeed, all three SOs provide ample opportunity for addressing a range of important cross-cutting issues, as highlighted in Annex E.

Taken together, USAID funding channeled through the three SOs should yield significant results by the end of the 1997-2001 planning period and should put Jordan well along the path of sustainable long-term growth. The country should be positioned to successfully seek private investment and sound enough to borrow on international capital markets rather than depending almost wholly on donor resources. A set of market-based policies should also be in place and working in ways that promote market-led growth, ensure greater economic efficiency, and enhance Jordan's relative competitiveness within the global marketplace.

B. Improved Water Resources Management (SO 2): USAID's long-term SO in water remains unchanged from that presented and approved at the R4 review in Washington in April 1997. Lack of water has long been identified by Jordanians as a critical development constraint. Historically, USAID has always emphasized water as a central concern. Failure to effectively manage scarce water resources would undermine all other aspects of development in Jordan and threaten the very viability of the country. Already, existing aquifers are being depleted at a rapid rate and water rationing is a fact of life for most Jordanians.

Annual water demand in Jordan is projected to increase to 1.2 billion cubic meters by 2001, far above the current 750 million cubic meters now available on a sustainable basis. Per capita freshwater potential in Jordan also lags far behind that available in most other countries: for Jordan, it is on the order of a meager 170 cubic meters annually, a third that

available in Israel and Syria, a sixth that available in Egypt--and a fortieth that available in the United States. Despite this grim situation, more than half the water entering the Amman water system is unaccounted for, with half of this loss attributed to administrative losses (e.g., inadequate billing and collections) and the other half due to leakages.

Over the short-term, Jordan plans to pipe water to Amman at a rate of 100 million cubic meters per year from the non-renewable Disi aquifer on the Jordan/Saudi border. At some point, Jordan plans to build a dam on the Yarmouk river which should yield 80 million cubic meters of fresh water per year. In addition, the 60 million extra cubic meters which Jordan now receives from Israel annually is perhaps the most tangible "peace dividend" received thus far; only modest additional supplies, on the order of 20 million more cubic meters annually, can be anticipated from this source in the future.

Over the long-term, Jordan will likely have to seek additional water resources from outside its borders. Two major potential projects have been mentioned from time to time: first, importing water from Turkey; and, second, constructing the "Red Sea-Dead Sea" canal, together with associated desalination facilities sufficient to increase water availability to Jordan and Israel by perhaps 850 million cubic meters annually. Both these projects are years away and would require billions of investment dollars, funds which at this point would be impossible for Jordan to generate domestically.

Even without one or the other of these two mega projects, Jordan has developed a 14-year, \$5 billion priority plan to guide water investments in the coming years. The plan hinges on two main approaches toward narrowing the gap between water supply and water demand. First, it entails improved water supply management. Second, it involves increased water use efficiency. Both approaches aim at ensuring that scarce water supplies are stretched further. Both approaches also figure prominently in USAID's own Intermediate Results (IRs) as they relate to operationalizing our SO in water.

-- *Stronger Water Institutions (Intermediate Result 2.1):* Counterparts here include the Jordan Valley Authority (JVA), the Water Authority of Jordan (WAJ), and the Ministry of Water and Irrigation (MWI). Activity revolves partly around improving data collection and policy analysis capabilities, and partly around improving management and promoting policy reform based on that data collection and analysis. Interventions such as those under Fostering Resolution of Water Resources Disputes (FORWARD) entail innovative approaches involving not only ministries but also "stakeholders" and "customers". Public awareness of water scarcity and water conservation issues is also supported, at this point through a grant to the Jordan Environment Society (JES). Considerable progress is being made in terms of managing municipal water supplies, relying in part on private water management contracts. Jordan recently announced that it had attained 100 percent cost recovery in terms of operation and maintenance of municipal water supplies in greater Amman, and has set a goal of 125 percent by the year 2001. By contrast, cost recovery rates in the agricultural sector, which utilizes three out of every four gallons of water consumed in Jordan, lag behind.

Specific activities and results envisaged under this IR over the next four years include:

- Substantial improvements in existing water information systems, including improved data collection and analysis and the design and installation of a new management information system.
- Further progress on water policy reform, in part through the collaborative development of water cost/tariff models for agriculture and municipal water and the preparation of a water strategy for the sector and water utility policies for the JVA and WAJ.
- Heightened public awareness of water scarcity and environmental issues, in part through continued work with JES and the MWI.

-- *Increased Efficiency in Use of Water Resources (Intermediate Result 2.2):* Water use efficiency increases can have an enormous, immediate pay-off in the amount of water received per person or, in the case of irrigated agriculture, in the productivity per unit of water available. With regard to municipal water use, USAID is interested in reducing the unaccounted for water in greater Amman due to inadequate billing and collection as well as physical losses through leakage or contamination. With regard to irrigated agriculture, the goal is to increase water use efficiencies from the current 40 or 50 percent to 80 percent for many crops.

Specific activities and results envisaged under this IR over the next four years include:

- Increased technical efficiency in on-farm water use through the creation of an Irrigation Advisory Service, a change in the irrigation scheduling system from rotational to on-demand, and infrastructural improvements in water delivery systems.
- Reduced system leakage in greater Amman through contributions to a multi-donor effort to restructure and rehabilitate the entire water distribution system, with unaccounted for loss rates reduced from 52 percent to 35 percent.
- Rehabilitation of 12 springs and wells, thus making 25 million cubic meters of freshwater available to municipal consumers on an annual basis.

-- *Improved Quality of Wastewater (Intermediate Result 2.3):* Improving wastewater quality has many side benefits in terms of both the environment and public health. Within the water sector, it also ensures that a significant water resource, previously wasted, is made available for irrigated agriculture: in 1995, for example, Jordan obtained an additional 58 million cubic meters of water from this source, representing perhaps seven percent of its total water supply. USAID-funded improvements at Jordan's largest wastewater treatment plant at As-Samra have already ensured that effluent from a single aerated system meets almost all Jordanian water quality standards, despite the fact that the plant receives more than twice the volume of wastewater it was designed to treat. Completion of the new USAID-funded

wastewater treatment plant at Wadi Mousa should extend similar benefits to another part of the country. The demand for further interventions of this type is nearly insatiable and, with the additional infusion of funds, USAID will remain involved in this area through 2001.

Specific activities and results envisaged under this IR over the next four years include:

- Assist in implementing significant portions of a wastewater masterplan for greater Amman.
- Complete series of emergency improvements at the As-Samra wastewater treatment plant that serves greater Amman.
- Design and construct wastewater collection, conveyance and treatment facilities at Wadi Mousa and North Shuneh in the Jordan Valley.
- Expand capacity of water and wastewater facilities in Aqaba.

-- *SO Status by December 2001:* Specific targets that USAID, together with the GOJ, expect to achieve by the end of 2001 as a result of USAID interventions in this area include the following (further details are provided in Annex J; in some instances, specific infrastructure projects will not be operational until 2002):

- *New wastewater facilities completed in Wadi Mousa, Aqaba, and North Jordan Valley*, protecting extremely fragile areas from wastewater contamination and providing at least 63 million cubic meters of water for unrestricted use in irrigated agriculture.
- *Rehabilitation of existing springs and wells* provides 25 million cubic meters of water annually, enough to meet the needs of at least 300,000 people.
- *On-farm water efficiency approaches optimum level* in Jordan Valley.
- *Unaccounted for water in Greater Amman reduced from roughly one half to roughly one third of total*, combined with recovery of operation and maintenance costs for Greater Amman water distribution and wastewater collection system reaching 125 percent..
- *New water policies adopted and implemented* which, among other things, ensure private sector involvement in management and financing and emphasize recovery of operation, maintenance and capital costs for both municipal and agricultural water systems.
- *Financing and final design in place to construct major wastewater treatment plant* meeting the needs of 2.3 million people living in Greater Amman to the year 2015 and supplying approximately 100 million cubic meters of treated wastewater for agricultural purposes.

-- *Other Issues and Concerns:* Last year, USAID/Jordan included the possibility of adding a fourth IR (IR 2.4), *increased benefits in the water sector from regional peace*. In fact,

USAID has always considered contributions to the peace process as an important criteria in looking at investment options in the water sector. For example, construction of the wastewater treatment facility at North Shouna will improve the quality of wastewater flowing into the Jordan River, even as the expansion of wastewater facilities at Aqaba has important, positive environmental implications for the Gulf of Aqaba. However, given recent setbacks in the peace process and the fact that virtually any Jordan-specific item relating to peace can already be accommodated within the existing strategic structure, USAID intends to drop this fourth, notional IR from further consideration at this time.

From time to time, the suggestion has been made that USAID should move beyond water management and efficiency and more directly engage on water-related agricultural productivity issues. There is some merit to this argument and USAID in the past has been involved in this area. From a Jordanian perspective, it is vital from a social as well as a strategic standpoint to maintain a viable agriculture sector, especially in the Jordan Valley. Also, although agriculture directly accounts for around 6-7 percent of Jordan's GDP, indirectly it may contribute to as much as 25-30 percent of GDP. Even more striking, although some 75 percent of Jordan's scarce water resources are devoted to agriculture, Jordan must still import approximately two-thirds of its food requirements.

Given this situation, "food security" for Jordan will undoubtedly lie much more in its ability to earn foreign exchange to import food rather than attempting to become entirely self-sufficient in terms of production. Although USAID could make a contribution in terms of enhancing agricultural productivity, a new intervention in this area would seem to be of lesser priority than the areas in which USAID is already involved, especially given the lack of progress on cost recovery issues in terms of water used for agriculture. A strong case can also be made that USAID-supported work in trade and investment as well as other policy issues also has important, positive implications for developing a more efficient and economically rational agricultural sector in Jordan.

Finally, it should be emphasized that the contribution of USAID/Jordan's water programs to environmental concerns is deliberate and substantial. Properly treated wastewater can substitute for freshwater used in agriculture, thereby reducing the pressure on scarce freshwater sources; at the same time, properly treated wastewater will not pollute or degrade precious freshwater aquifers. Our support to restructuring the MWI has resulted, among other things, in the creation of environmental departments within MWI, WAJ, and the JVA. These departments will monitor all water programs and flag potential environmental concerns, such as the need for environmental assessments, overuse of groundwater, and pollution of groundwater sources. Also, construction of the wastewater treatment plant at Wadi Mousa is absolutely vital to ensuring the environmental protection of Petra as a "world heritage" site and Jordan's single most important tourist attraction.

Likewise, USAID supports the rehabilitation of a water quantity and quality monitoring system. This system will identify drops in water tables that indicate overuse, salt water intrusion in aquifers and pollution of ground and surface water through sewage, agricultural

chemicals or other sources. In addition, our support to the Jordan Environment Society (JES) is increasing the awareness of water scarcity and conservation issues in Jordan, while at the same time strengthening the institutional sustainability of this important NGO. Recently, USAID embarked on a program to help communities surrounding the As-Samra wastewater treatment plant mitigate the harmful and nuisance effects of high pest populations, including flies and mosquitoes. Finally, USAID through its requirement for an environmental review of all relevant water activities has helped institutionalize this important process within the MWI. Taken together, these examples suggest the variety of ways that are being used to enhance community involvement, support local NGOs, and help sustain and expand the constituency for more rational and effective water management in Jordan.

C. Increased Practice of Family Planning with an Emphasis on Modern Methods

(SO 3): USAID's long-term SO in health and family planning remains unchanged from that presented and approved at the R4 review in Washington in April 1997, though the Mission is seeking approval for a fifth Intermediate Result focusing on private sector provision of essential family planning supplies and services. Jordan's annual population growth rate of 3.7 percent is among the highest in the world. If these rates continue unabated, Jordan's 1997 estimated population of 4.5 million will double by 2015, putting even further strain on scarce natural resources. The country's ability to provide employment and social services for a rapidly growing population will also become increasingly problematic, as already evidenced by the difficulties in financing the new Social Productivity Program (SPP).

Notable progress has been made in recent years, and there is some evidence to suggest that Jordan is beginning to embark on the demographic transition that most societies eventually make in terms of greater contraceptive, lower fertility rates and smaller families. For example, the modern contraceptive prevalence rate in Jordan increased from 27 percent in 1990 to 37.7 percent in 1997, putting the country well within reach of the target figure set by the National Population Commission (NPC) of 41.5 percent by the year 2000. Similarly, fertility rates have declined from an estimated 5.6 percent in 1990 to 4.4 percent in 1997.

These positive trends have been accompanied by an equally notable shift in the overall policy environment as it relates to family planning. In particular, the adoption of the country's first national population strategy in 1996 represents an important achievement, given long-standing religious and cultural forces that traditionally have had a conservative influence. The recent news that the national population strategy will be formally integrated into the GOJ's new five year development plan is similarly encouraging. Also, method-specific public service messages highlighting various approaches to contraception now appear regularly on national television. Broad segments of society, including members of the Islamic clergy and local NGOs, also provide support to the national family planning policy. Continued USAID support is needed to maintain and build upon these recent achievements. Although health and population activities are slated to receive relatively modest additional funds as a result of the Middle Peace and Stability Fund, these resources *will* allow USAID to retain its position as the leading donor in this sector and *will* allow USAID to take an active and catalytic role in introducing innovative new approaches to health care financing.

Should child survival funds become available to Jordan, USAID would consider adding a new activity under IR 2, combating acute respiratory infections (ARI). A 1995 national study on neonatal deaths showed that the neonatal death rate is 14.3 percent. The highest share of these deaths (40 percent) was caused by respiratory distress syndromes (including ARI), followed by infections of the newborn. Of these deaths, 33 percent would have been preventable with minimal interventions such as improved NICU equipment and practices, attention to infection control within delivery and neonatal services, identification of high risk pregnancies and provision of proper follow up during the postpartum period. Since neonatal services are so closely linked to antenatal and postnatal services, both major components of the Comprehensive Post Partum Project (CPP) activity, attention to ARI would complement this IR. Although there would be no need to add a new IR, we would add a new indicator to measure improvement in neonatal mortality related to ARI.

-- *Improved Knowledge of Contraceptives (Intermediate Result 3.1):* Recent growth in contraceptive prevalence rates partly reflects the past success of Government of Jordan (GOJ) and USAID interventions. These achievements were facilitated in part by a 1995 decision on the part of the Ministry of Health and Health Care (MOHHC) decision to use television and radio to publicize information. Surveys conducted to measure the impact of the campaign, which commenced in September 1996, have reported good results. At a more basic level, curriculum development and the training of medical staff on family planning methods helps ensure that individuals expressing an interest in family planning can have their questions answered by well-trained, knowledgeable professionals.

Specific activities and results anticipated under this IR over the next four years include:

- Develop and disseminate new multi-media materials on contraception, spousal communication, and postpartum care, with at least 60 percent of customers exposed to a message able to paraphrase it correctly afterwards.
- Develop male motivation impact which increases the percentage of men who believe specific contraceptive methods are safe for their spouse to use as follows: pills (from 47.6 percent to 67.7 percent); and IUD (from 60.4 percent to 80.4 percent).
- Revise the National Population Strategy to include updated figures from the Demographic Health Survey (DHS) and to incorporate gender concerns.
- Disseminate results of "Resource Awareness for Population in Development" (RAPID) presentation among members of parliament, government ministries and directorates, and clergy, resulting in greater knowledge about and support for family planning programs in Jordan.

-- *Increased Availability of Family Planning Services (Intermediate Result 3.2):* Family planning services are typically provided as part of a larger set of health-related interventions made available in the context of mother and child health care. This design

reflects "lessons learned" from around the world, in particular the finding that women will seek care for their children, even when they ordinarily would not seek such care for themselves. Approximately 95 percent of all deliveries in Jordan take place in hospitals. Although only six percent of the mothers return for postpartum care, 86 percent of all children have completed their recommended vaccinations by age one. Given these circumstances, a complete "package" of services have been organized around the needs of *both* mother and children. Under the new system, women are referred to a Comprehensive Post-Partum (CPP) center for their last pre-natal visit. They then deliver in the hospital in which the CPP is located and return at the 40 day postpartum period for a check-up focused on both mother and child. A referral system has also been established to manage the patient flow between the CPP and the primary health care center.

Specific activities and results anticipated under this IR over the next four years include:

- Renovate, equip, train and staff nine new CPP centers, with number of centers increasing from 12 to 21.
- Increase percent of women who deliver in hospitals with CPP centers and return for postpartum care and family planning from 30 percent in 1997 to 60 percent in 2001.
- Increase outreach of NGOs offering family planning services, with number of full-service NGO clinics increasing from 15 to 17.
- Increase number of MOHHC clinics offering full range of family planning services from 85 to 133.
- Increase number of NGO and MOHHC personnel trained in relevant family planning approaches from 482 in 1997 to 1,188 by 2001.

-- Increased Availability and Affordability of Family Planning Products in the Private Sector (Intermediate Result 3.3) : This IR involved a close partnership with the private sector, with a view toward increasing product choice and ensuring that family planning products are available at a reasonable price. Already, USAID investments have created commercial markets for five inexpensive new contraceptive products and improved private sector distribution. Free television advertising has been an important part of the effort, as has a concerted program that has already trained more than 1,000 private pharmacists and doctors. Contraceptive products related to the social marketing campaign are now available at a reasonable price at virtually all of Jordan's pharmacies. Knowledge about contraceptives on the part of pharmacists has also improved.

All three targets set by the Mission under this IR have been met and the IR has now been achieved. At this point, the Mission is developing a new private sector strategy that uses information obtained through Knowledge, Attitude and Practice (KAP) and Demographic and Health Surveys (DHS). Among other things, these findings highlight wide public preference

for receiving family planning services and products through the private sector. The private sector family planning strategy is underway, but results are not yet available to include in this document. At this point, the Mission simply seeks Washington approval for developing a new IR 3.5 which builds directly on the achievements of IR 3.3 and maintains a strong private sector emphasis.

-- *Increased Rationalization of Health Financing System (Intermediate Result 3.4):* This IR was approved by Washington during the April 1997 Jordan R4 review. The rationale behind including work in this area as part of a broader family planning objective remains unchanged: Jordan's extraordinarily rapid population growth rate threatens the future viability of not only Jordan's family planning program, but the sustainability of the entire health sector as well. Given the fact that family planning is already closely integrated within Jordan's wider network of health care services, it makes sense to look for systemic ways to rationalize costs across the health sector.

Based on the 1994 census, there will be one million women of reproductive age in Jordan through at least the year 2000. Population momentum as a result of increasing numbers of women entering their peak childbearing years means that the population will continue to grow for decades, even as fertility declines. High population growth will increase the demand for GOJ funding for family planning and reproductive health services. Also, the changing burden of disease from preventable infectious diseases to expensive-to-treat chronic illnesses, combined with health sector inefficiencies, threaten to undermine the financial sustainability of Jordan's health system. The 1994 World Bank Health Sector Study concluded that the GOJ could improve the health status of the population, provide better access to services, improve economic efficiency, clinical effectiveness and the quality of its delivery system; and achieve financial sustainability by implementing a series of key reforms. USAID, working in cooperation with the World Bank, will assist the MOHHC in carrying out these recommended reforms.

Specific activities and results anticipated under this IR over the next four years include:

- Introduce a national health accounts system capable of distributing data to national agencies.
- Analyze and identify key problem areas, followed by discussion of results and initiation of pilot interventions for financing health care in both the public and private sector.
- Complete comprehensive review of existing Jordanian accreditation and licensing rules for facilities and individual providers, as well as procedures for enforcing the rules.
- Strengthen capacity of MOHHC and other Jordanian health sector institutions to take a leadership role in policy development and analysis, management, health economics and planning in order to implement the reform process.

- Develop a basic package of essential health services to be provided in all PHC facilities; based on identification of burden of disease, the existence of cost-effective interventions, the costs of providing such a package, and financing and resource allocations required.
- Identify health insurance and other health care financing options and payment mechanisms, followed by pilot test at least one or two of the most promising interventions.

-- **SO Status by December 2001:** Specific targets that USAID, together with the GOJ, expect to achieve by the end of 2001 as a result of USAID interventions in this area include:

- Jordan's overall *modern contraceptive prevalence rate reaches at least 41.5 percent.*
- Jordan *adopts revised National Population Strategy*, incorporating latest reproductive health and gender approaches and data from the 1997 Demographic and Health Survey.
- *Supply of family planning products regularly meets demand*, with at least 75 percent of all services sites (Ministry of Health and Health Care, Royal Medical Services, and NGOs) which form the national contraceptive, logistics and management system reporting no stock shortfalls for a six month period.
- *Significant progress achieved in a wide range of key areas related to health financing reform*, including introduction of new accounts system, development of options for pilot financing introductions, development of new accreditation and licensing regulations, etc.

D. Increased Economic Opportunities for Jordanians (SO 5): Additional funding will allow USAID to considerably expand at least two of the three IRs included under this new SO, which was approved by Washington during the R4 process in April 1997. Both changes involve expansion of an existing IR, with IR 2.1 changed to include not only micro and small finance but *other business services* and IR 2.2 amplified to include *identification* of key policy issues as well as their implementation. The groundwork for both these changes was set by analyses conducted earlier in the year, which indicated that additional USAID funding could be usefully applied in a wider range of areas, if it were to become available. Additional funding is now available and could be on the order of \$250 million (assuming annual cash transfers on the order of \$50 million annually), combined with at least another \$50 million for added technical assistance, training, and support for microfinance.

The expanded SO will allow USAID to respond directly to concerns about achieving growth with equity. Among other things, it addresses issues related to the depth and quality of economic growth, not just its magnitude. While export growth and increased foreign exchange earnings are anticipated as one result of USAID interventions, the problem now is less one of accumulating scarce foreign exchange than of sustaining and expanding economic opportunity at a time when the benefits of growth are perceived to be narrowly distributed.

As originally conceived, USAID would have been involved solely in microfinance and in the implementation of a relatively modest set of previously selected policy reforms. Additional resources now permit USAID to initiate activities that extend to broader business services such as improved management, better marketing and more rapid technology transfer, important problems identified in the USAID-funded Private Sector Assessment undertaken in connection with planning for the new SO but for which funding at the time was not available. Similarly, additional resources will allow the U.S. to not only assist in implementing a more comprehensive set of policy implementation measures, but also play a much more active role in identifying specific policy issues and shaping the wider policy reform agenda.

Finally, it is important to emphasize that the new Economic Opportunities SO is being launched as part of a wider policy reform effort, one that dates back to at least 1989, when Jordan agreed to an IMF-sponsored structural adjustment program. Both the World Bank and USAID have helped reinforce this effort. The centerpiece of the World Bank's contribution has been a series of three "Economic Reform and Development Loans" (ERDL) initiated in 1995 to support broad economic reform, as well as to strengthen international reserves. Initial USAID support came in part through its \$30 million "Sector Policy Reform Program" (SPRP), culminating with a \$29 million cash transfer disbursed in FY 1995 and FY 1996. Further support is being provided through the new cash transfer program, the first \$50 million tranche of which was disbursed in September 1997 and was associated with such major developments as a new Companies Law (May 1997); a new Securities Law (May 1997); and the abolishing of remaining foreign exchange controls (June 1997).

Given this backdrop, USAID will focus on the critically important work of moving beyond official policy pronouncements toward real and lasting change. Among other things, it entails continued work on actually implementing previously announced reforms as well as on the identification and resolution of "second" and "third" generation policy problems that are bound to emerge as policy change in one area inevitably leads to new and as yet unforeseen areas of further emphasis or concern. Additionally, the SO includes a critical "associational development" component aimed at strengthening the constituency for reform. This effort includes, among other elements, a small grant program directed specifically toward local business groups. Policy advocacy and public outreach will receive special emphasis.

The broad set of issues covered as part of this initiative are central to Jordan's future economic competitiveness within the Middle East and beyond. Specific areas addressed include trade and investment reform, financial and legal reform, and increasing public sector efficiency. Technical assistance will be funded in part through an innovative new partnership with the World Bank, which cements an already close working relationship and allows USAID and the World Bank, in concert with Jordanian counterparts, to jointly fund advisory services and training associated with policy-based cash transfer programs.

-- *Increased Access to Business Services (Intermediate Result 5.1):* The USAID-funded private sector needs assessment, completed in March 1997, identified lack of access to financial services as the single most important constraint facing small, medium and micro

enterprise in Jordan. Other concerns were also cited, including those related to other businesses services such as technology transfer, marketing and management. Given funding constraints, USAID/Jordan developed an IR focused on increasing access to microfinance services. Additional funding will now allow USAID to not only expand funding availability in microfinance but also support other important business services, taking into account best practices and experiences from similar USAID programs elsewhere.

The central theme of the revised IR is to increase the productivity and competitiveness of Jordan's small, medium and micro enterprises by improving their access to finance, technology, markets and modern management techniques. The slight change in the wording of the IR will allow for an expansion of activities, while still maintaining an emphasis on ensuring that the positive benefits of economic growth are more evenly spread among the small, medium and micro enterprise sector in Jordan. Synergies are also likely to be formed between the provision of expanded business services and the various business association development activities envisaged elsewhere within the SO, with relevant associations providing advisory input and possibly becoming channels for particular kinds of business services.

Illustrative activities and results anticipated under this IR over the next four years include:

- A series of major, new small and microfinance initiatives in Jordan, providing microfinance services to at least 25,000 active borrowers by 2001 and representing a huge increase from the few thousand microloans made available as a result of all the finance programs in operation in Jordan today. At least 50 percent of the borrowers will be women, and at least 30 percent of the borrowers will be outside Amman, including in the less developed southern part of the country.
- At least three microfinance institutions in operation based on sustainable microfinance "best practices" criteria, with formal links to the lending and/or savings operations of private sector commercial banks.
- A new program designed and launched to provide cost-effective business development services related to technology, marketing and management to small, medium and micro enterprises. Potential results at the enterprise level include 25 percent increase in sales, 10 percent increase in employment, improved management and employee skills, improved quality standards, and new business linkages and markets with the U.S. and within the region.

-- More Effective Identification and Implementation of Policy Reform (Intermediate Result 5.2): The second IR focuses on the identification of key areas of policy concern, followed by the effective implementation of measures designed to overcome them. As prior experience amply demonstrates, one of the problems of policy reform world-wide is a tendency for policy rhetoric to remain just that--a statement of intentions or even a rhetorical pronouncement regarding the importance of a particular set of "reforms," while still lacking the means to effectively operationalize and implement lasting change. Even in the best of

circumstances, the inability of mid-level officials to properly understand the technical aspects of a specific change can undermine already agreed upon commitments to reform. Several other factors--including the lack of an obvious constituency to galvanize a reform effort; an inability to properly explain the reasons for reform to the broader public; and the lack of effective feedback systems to inform policymakers about what is working (or not working) at the grassroots level--also need to be addressed.

Illustrative activities and results anticipated under this IR over the next four years include:

- An efficient and effective Investment Promotion Corporation (IPC), with IPC-assisted companies creating nearly 17,000 new jobs and investing more than \$4.5 billion in new ventures.
- A cumulative 37 percent improvement in the efficiency of the Customs Department as a result of streamlined operations and improved customs staff performance.
- At least six major constraints to efficient, market-oriented, and WTO-acceptable customs clearance removed or significantly reduced.
- Passage and implementation of Intellectual Property Rights laws and regulations that are consistent with WTO accession.
- Legal, policy and implementation constraints to fuller participation of women as workers, managers and business owners in the economy removed or significantly reduced.

-- Improved Environment for Sustained Policy Reform (Intermediate Result 5.3): This new element within the Economic Opportunity SO, provisionally approved within the context of the \$50 million cash transfer program initiated in August 1997, ratchets overall U.S. support for Jordan's economic restructuring process to a much higher level (see Annex F). In the future, *this IR will continue to be reserved solely for the cash transfer portion of the SO.* Maintaining a "separate" IR for this purpose makes *management sense* within the NMS system, given the magnitude of funds involved and the usefulness of ensuring "separate" accounting for their use within the larger SO. More importantly, it makes good *strategic sense* in that it explicitly recognizes the important U.S. role in supporting the GOJ as it takes the kind of tough decisions needed to implement new economic policy reforms over the next four years. Although there are obvious synergies between IR 5.2 and IR 5.3, keeping the two separate helps demonstrate to "stakeholders" and "customers" alike the significant policy changes that will be achieved as part of the USAID cash transfer program.

Illustrative activities and results directly linked to the cash transfer and anticipated under this IR over the next four years include:

- Substantial progress on an economic and commercial policy reform program focused on trade and investment reform; financial sector and legal reform; and increasing public sector efficiency.
- Under trade and investment, key benchmarks include accession to the WTO; further rationalization and consolidation of tariffs; and a reduction of the transactions costs of imports related to customs administration.
- Under financial and legal reform, key benchmarks include introduction of modern commercial laws and regulations, more efficient and prudent financial intermediation, including a modern central banking law and strengthened bank supervision; and well regulated and efficient capital markets.
- Under increasing public sector efficiency, key benchmarks include rationalization of the government budget system, at least five major privatization transactions completed, and initiation of \$500 million in infrastructure projects under various build-own-operate, build-operate-transfer and management contracts.

-- *SO Status by December 2001*: Specific targets that USAID, together with the GOJ, expect to achieve by the end of 2001 as a result of USAID interventions in this area include the following:

- *A sustainable microfinance industry* that is a leader within the region and serves 25,000 active urban and rural microentrepreneurs, at least 50 percent of whom are women;
- *A model, market-oriented trade, investment and financial environment* that is viewed as a highly attractive regional base for a diverse and growing number of private investors, both local and foreign;
- *Implementation of at least five major privatization transactions* that increase private sector ownership or management of government-held businesses, combined with a dramatic increase of private sector participation in infrastructure projects and management contracts;
- *Significant improvements in business practices* implemented by a number of key medium and small enterprises, resulting in increased employment, improved quality standards, and new business linkages and markets with the U.S. and within the region;
- *A vibrant business association community* that is effective in identifying and advocating market-oriented policies and practices, including those that support the increased participation of women in all aspects of the economy;
- *Significantly improved public sector efficiency and credibility* as a result of improved budget procedures, transparent and competitive public procurement, and a market-friendly approach that focuses on facilitating business development rather than controlling or stymieing it.

E. Relation of USAID/Jordan Strategic Objectives to Agency Goals:

The USAID/Jordan strategic construct outlined above tracks very closely with broader Agency goals and objectives. Given the amount of resources involved, it also promises to make a significant contribution to these wider Agency goals and objectives:

<i>A.I.D. Goal</i>	<i>A.I.D. Objective</i>	<i>USAID/Jordan Strategic Objective</i>
Environment Improved for Long-term Sustainability	-- Sustained urbanization and pollution prevention; -- Sustainable natural resource management	Improved Water Resource Management
World's population and human health protected in a sustainable fashion	-- Sustainable reduction in unintended pregnancies; -- Sustainable reduction in child mortality; -- Sustainable reduction in maternal mortality	Increased Practice of Family Planning
Broad-based Economic Growth Achieved	-- Strengthened markets; -- Expanded access and opportunity for the poor	Increased Economic Opportunities for Jordan

This close match between USAID/Jordan and USAID/Washington Strategic Objectives becomes even more clear when set against the suggested program approaches endorsed by A.I.D. under each of the five over-arching goals set for the Agency. For example, A.I.D. policy guidance under "economic growth" emphasizes the importance of legal and regulatory reform, expanded economic opportunities for women, and increased access to financial, technical, and other services; these very themes are central to our "economic opportunity" objective. Similar overlap exists between the various approaches recommended by Washington and the remaining two USAID/Jordan Strategic Objectives.

PART THREE: RESOURCE REQUIREMENTS

A. Estimated Resource Requirements: This strategy is based on funding levels on the order of \$125-\$150 million annually through FY2001. Approximately \$100 million each year would come out of the Middle East Peace and Stability Fund, designed to provide *additional* support to countries making a positive contribution to the peace process. In the FY1998 Congressional Presentation, the "regular" funding level for Jordan in FY1998 was placed at \$27.5 million. More recently, heightened Congressional support for Jordan suggests that the illustrative figure of \$125-\$150 million for each of the next four years is not unrealistic.

Given this backdrop, USAID/Jordan proposes illustrative funding allocations as follows:

	FY1997	FY1998	FY1999	FY2000	FY2001
SO 2 (Water)	\$63.5	\$60.0	\$60.0	\$60.0	\$60.0
SO 3 (Population)	\$7.6	\$10.0	\$15.0	\$15.0	\$15.0
SO 5 (Economic Opportunity)	\$55.0	\$70.0	\$75.0	\$75.0	\$75.0
TOTAL	\$126.1	\$140.0	\$150.0	\$150.0	\$150.0

B. Other Funding Scenarios: The programming flexibility inherent in the current USAID/Jordan strategic construct ensures that the Mission can respond effectively to any number of alternative funding scenarios, including ones that would result in either a decrease or an increase in funding. The water SO is especially flexible, given the enormous water needs facing Jordan and the fact that demands within the sector are nearly insatiable. While Jordan is moving toward full cost recovery in terms of the operation and maintenance costs for water, its ability to generate adequate capital investment resources domestically is still a long way off. In addition, the cash transfer element of the economic opportunity Strategic Objective is somewhat fungible in that specific amounts can be calibrated on an annual basis in response to both actual funding availability and the pace of reform. That said, it will be difficult to maintain a high level of USAID engagement on policy reform issues if the cash transfer element of the program drops to below \$35-\$40 million in any given year.

C. Management Issues and Concerns: The strategic approach outlined in this document assumes a very modest increase in staffing levels. At this point, only one additional USDH resource envisaged, an economist assigned to the Mission Director's office and tasked with playing a significant role in monitoring the cash transfer program as well as the policy reform targets associated with it. A US PSC assigned to the water office is also being recruited to

assist in the management of the greatly expanded water portfolio. Mission management will monitor the situation closely and may at some point need to request approval for modest additional increases in current PSC and/or FSN staffing levels.

Several management approaches make it possible to avoid having to request substantial increases in staffing levels, despite a huge increase in program size. These include maintaining the focus and concentration anticipated in this document; continued reliance on host country contracting for infrastructure projects related to the water sector; continued reliance on high quality FSN staff for monitoring and management tasks that in other countries might be undertaken by USDH personnel; conscious efforts to limit expansion of the number of discrete management units, consolidating rather than expanding them where possible; and the use of other innovative management approaches, such as the technical assistance fund being worked out in conjunction with the World Bank. If these and related mechanisms are maintained, it should be possible to successfully implement the significant aid effort anticipated in this document with a relatively small staff.

D. Potential Additional Special Objective: USAID/Jordan is committed to maintaining a high degree of focus and concentration during the period covered by this strategy presentation. Nonetheless, during the next twelve months, it will consider submitting for Washington's approval a flexible, new "Special Objective" that would facilitate preliminary work in potential new areas not otherwise covered by an existing SO. The probable date for such a submission, if appropriate, would be as part of the R4 review conducted in FY1999. It does not make sense to seek approval for such a presentation now for both management and operational reasons. From a management perspective, the Mission has already had its hands full in terms of programming the additional funds and preparing this strategy document to take on other, new activities now. From an operational perspective, it makes sense to evaluate progress made within the existing framework before embarking on any potentially new Strategic Objectives or Special Objectives.

USAID/Jordan will coordinate closely with Washington as regards the need and/or advisability of developing a new Special Objective prior to next year's R4 submission. Conceivably, a quick-response mechanism embodied within a new Special Objective could be highly useful, given the potential for rapid change in the Middle East and the fact that the Mission *must* be prepared to respond to such changes if and when they occur. Possible items could include public sector reform or be selected from among the "other options considered" in Annex C. It could also be highly useful in responding to potential concerns expressed by stakeholders or customers at the highest levels. The idea would be to undertake pilot activities that, if successful, might be considered as a new, independent and free-standing Strategic Objective or Special Objective.

ANNEX A:
Checklist of Major Decisions Requested from Washington

USAID/Jordan is hopeful that this strategy document is fully responsive to the USAID/Washington request provided in State 218296 dated 19 November 1997. From a USAID perspective, specific results hoped for from Washington, in anticipation of the submission of the Results Review and Resource Request (R4) document only one month later, are as follows:

1. Approval for the basic strategic outline as presented, including continued consensus on the three main Strategic Objectives that define the USAID/Jordan program.
2. Agreement that this Strategic Overview, as presented, replaces the 1995 strategy submission and will serve as the primary USAID/Jordan strategy document through the year 2001, or until compelling external circumstances (including dramatic changes in funding levels or significant changes in the economic and political environment in either Jordan or the region) present the need for a strategy update or an entirely new strategy document.
3. Approval to develop a new Intermediate Result 3.5, building on the results obtained under Intermediate Result 3.2 and maintaining a strong private sector emphasis within the population Strategic Objective.
4. Concurrence to change the wording of Intermediate Result 5.1 from "increased access to financial services" to "increased access to *business* services".
5. Concurrence to change the wording of Intermediate Result 5.2 from "more effective implementation of policy reform" to "more effective *identification and* implementation of policy reform."
6. Formal approval for the new Intermediate Result 5.3, "improved environment for sustained policy reform" as the "NMS operational home" for the annual cash transfer program envisaged under the Economic Opportunity SO. (*Note: The Washington go-ahead for adding funds under SO 5 was provided in August 1997, but State 119384 dated 25 June 1997 indicated that USAID/Washington wanted to "postpone formal review and response to proposal on intermediate results and indicators until a time when all hands are in place and can fully focus on the choices it presents"*).
7. Approval in principal to explore a new, flexible "Special Objective" for possible submission in connection with the R4 review conducted in FY 1999. This would possibly be organized around special studies, pilot programs and or innovative, new activities that could eventually become an entirely new Strategic Objective, either within the 1997-2001 planning period or beyond.

ANNEX B:
Summary of Strategy Construct

(Not on WP5 --this item must be inserted separately)

ANNEX C:

Enduring Legacy of Past USAID Activity

2001--the last year covered by this strategic overview--will mark the completion of half a century of USAID and predecessor agency assistance in Jordan. Total USAID funding provided to Jordan since 1951 is now approaching \$2 billion, with at least another \$400 million anticipated over the next four years. If the program now underway is effectively conceived and properly implemented, the conclusion of this current five-year strategy period can represent a fitting capstone to five decades of cooperation and development between the United States and Jordan.

The legacy of early USAID programming is evident in many areas of Jordan's contemporary economic and social life. Water activities have been emphasized from the outset, beginning in the early 1950s when USAID repaired and renovated 75 ancient Roman and Byzantine water cisterns for modern use. Subsequently, USAID drafted the first master plan for water resource development in Jordan, helped establish the Water Authority of Jordan and financed the East Ghor (King Abdullah) Canal and other critical irrigation works throughout the Jordan River Valley. Historically, USAID also played a catalytic role in building schools, establishing health systems, organizing agricultural research networks, improving tourist sites, and constructing roads across the country.

The history of Jordan's development since the early 1950s mirrors to some extent the history of the USAID program in the country. For example, early programs focused on building infrastructure and improving Jordan's human resource base. By the 1960s, greater emphasis was placed on developing new institutions such as the Water Authority of Jordan and the Jordan Valley Authority. The first tourism projects were initiated in the 1960s, with the completion of archeological improvements at Petra, Jerash and Kerak and the construction of roads to Wadi Mousa and Wadi Rum, two of Jordan's premiere tourist sites. USAID also provided scholarships and training opportunities in the United States and at the American University in Beirut to thousands of Jordanians, many of whom now hold leadership positions in government ministries, universities, and other institutions throughout Jordan.

More recently, USAID assistance became catalytic in promoting new initiatives in several areas vital to Jordan's future. For example, USAID-funded fertility surveys in the early 1980s highlighted an unmet demand for birth spacing in Jordan and eventually culminated in the acceptance of the country's first national family planning program. Similarly, a major USAID-supported private sector initiative dating to the middle 1980s helped initiate conversation on critical economic restructuring and privatization issues that continue to figure prominently on Jordan's policy reform agenda today.

ANNEX D: Analysis of "Other Options Considered"

Introduction

Over the past six months, a number of suggestions have been received from individuals within Jordan as well as visitors from Washington regarding potential new areas of USAID program development. A list of potential "missed opportunities," "programmatic holes," or "strategic deficiencies" was also drawn up at an all-day USAID/Jordan meeting held in Amman in November 1997 to review the current strategy.

The numerous suggestions put forward fall into three main categories. *First, there are potential areas of new activity that fall well within the parameters of an existing SO* which the SO can introduce, as and when appropriate. Examples include:

- Emerging problems in child health (Population SO)
- Production aspects of irrigated agriculture (Water SO)
- Deeper involvement with environmental concerns (Water SO)
- Greater attention to private enterprise development/business services (Economic Opportunity SO)
- More emphasis on employment generation issues (Economic Opportunity SO)
- More direct involvement in privatization (Economic Opportunity SO)

In all these cases, the relevancy and/or utility of incorporating these types of issues and concerns are highlighted in the SO-specific section of this strategy document.

Second, there are potential areas of greater activity or renewed emphasis that fall within the purview of two or more of the already existing SOs:

- Strengthened Jordanian capacity for data collection/policy analysis
- Greater attention to growth vs. equity concerns
- Further work in civic society/associational development
- Enhanced community involvement/more direct impact on people
- Greater attention to women in development (WID) concerns
- Greater attention to "lagging regions" of Jordan

In these instances, there was a consensus that it was appropriate to highlight such items and make a greater effort to integrate them more fully within the existing SO framework. Annex E also provides further detail on this issue, both in terms of what is already underway or planned and in terms of alerting USAID to potential areas of new activity that can fit relatively easily within the existing SO structure.

Finally, a third set of potential areas of activity have been put forward that would potentially mark an entirely new departure from the SO framework put forward as part of this strategic planning document:

- Democracy and Governance
- Energy, possibly related to water development
- Tourism
- Road construction/other infrastructural activities
- Commodity Import Program (CIP) focused on private sector
- Participant training program
- Youth initiative

For reasons described below, the Mission has determined that it does not make sense to design an entirely new Strategic Objective or Special Initiative for any one of these issues or concerns, at least not at the present time.

"Other Options Considered"

A. *Democracy and Governance:* Civil society issues figure quite prominently as a cross-cutting concern within the overall Mission's strategy, especially as they relate to developing associations. At this basic level, USAID can and is helping to promote the emergence of a more viable non-governmental sector, one that is vitally engaged in key economic and social issues and one that is able to influence the Jordanian policy-making process. With regard to the Economic Opportunity SO, this includes direct grants to business associations with a view toward deepening the constituency for policy reform; it also provides support for Jordanian NGOs committed to sustainable micro finance. Jordanian NGOs working in environment and health also receive support. Targeted assistance of this type can unquestionably play a catalytic role in diffusing decision-making, promoting grassroots involvement, and preparing the groundwork for more active democratic participation. It is especially useful when these types of associations mobilize constituencies that cross tribal or clan lines in pursuit of broader goals. Indeed, it could well be argued that the overall sustainability of all USAID programs in many areas, including policy reform, hinge on expanding such constituencies.

What is not, however, envisaged is an entirely new Strategic Objective or Special Objective organized entirely around democracy and governance issues. This decision is based on both external and internal concerns. At an operational level, democracy programs tend to be management-intensive, presenting obvious difficulties given the relatively small size of the USAID staff. At a strategic level and within the Jordanian operating context, there is a sense that a new USAID initiative could prove counter-productive, associating a "made in USA" label on a difficult long-term process, the prospects of success for which hinge not only on what happens in Jordan but also with the foundering peace process. Recent examples of donor support are also not reassuring. For example, the European Community devoted as much as \$3 million toward increasing female representation in Jordan's parliament prior to the recent elections--only to have the number of popularly elected deputies reduced to zero. At this point, it is more appropriate to use public diplomacy undertaken by other branches of the U.S. country team rather than direct USAID funding to dialogue with Jordanian counterparts on issues related to elections, parliament, a free press, and human rights. USAID funding would instead be focused on more fundamental civil society concerns, especially as they relate to direct funding for Jordanian NGOs active in the economic sectors in which USAID is directly involved.

B. Energy: Energy at this point is an emerging issue, one that Jordan needs to prepare for now as its population increases and as its economy expands. Jordan's current power generation capacity is at approximately 1,270 MW. With energy consumption growing at an annual rate of approximately 4-6 percent, Jordan will need to dramatically increase this total in the coming years. The fact that Iraq has been providing oil to fuel Jordan's power sector at little or no cost since the Gulf war also represents a potential area of concern should this source of supply unexpectedly be cut off. Finally, it should be noted that specific "mega projects" now being contemplated, such as the Red Sea-Dead Sea canal or the Med Sea-Dead Sea canal could conceivably have a power component, in this case linked with water. While USAID needs to continue to track developments in these important areas, it is too premature to contemplate direct involvement or the formation of a new SO organized around energy issues.

However, there *is* potential scope for USAID, under the Economic Opportunity SO, to assist in creating a more conducive environment for private investment in independent power projects, through build-own-operate (BOO) and build-operate-transfer schemes (BOT). This could entail technical assistance related to establishing clear guidelines and procedures for such investments, as well as the legal, financial and technical expertise needed to tender and evaluate large, independent power projects. To the extent that water issues relate to energy, it might be also possible to contemplate limited feasibility work under the "Increased Efficiency in Use of Water Resources" part of the water-related Strategic Objective. Ongoing activities in the area of water pricing also have clear relevancy to any future water activities that may possibly also include an energy dimension.

C. Tourism: Tourism makes large and growing contributions to the Jordanian economy. Approximately 1.1 million foreign tourists visited Jordan in 1997, providing approximately \$750 million in foreign exchange. Over the past three decades, USAID has also made significant contributions to this sector, either directly or indirectly funding archeological restoration at Petra, Kerak, Amman, Jerash and Madaba; tourist facilities at Umm-Qais, Pella, Wadi Dana and elsewhere; and road connections to Wadi Rum, Wadi Mousa, and the Dead Sea. Up until September 1996, USAID also pursued a "tourism" SO.

Despite this long history, it does not make sense to reactivate the tourism option now. First, this is because the original rationale for developing a tourist SO--to increase foreign exchange earnings--has been overtaken by events. Second, this is because of the significant policy concerns related to excessive government involvement in promoting tourism, an issue that was the immediately precipitating factor in prematurely terminating the SO in fall 1996. And, third, this is because activities organized around tourism as a SO could in some cases marginalize USAID in terms of its ability to deal directly with key development concerns in Jordan. It may well be that projects supported through the micro finance or the policy element of the Economic Opportunity SO will be related in some way to tourism (e.g., financing shops, guest houses, guide services, or other activities related to tourism, especially in the southern part of the country; or improving the business climate for international investors, including those interested in the tourist sector). However, these would be natural by-products of USAID support, not the motivating factor behind them.

D. Roads/Other Infrastructural Development: Historically, USAID has financed road construction throughout Jordan. Support began in the 1950s, when Jordan was building its basic transport and communications infrastructure and USAID funded a number of major road projects, including the Amman-King Hussein-Jerusalem road; the main road from Amman to Syria; and link roads to Wadi Mousa, Wadi Rum, and Mount Nebo. During the 1970s, USAID financed another round of road building, including the main highway from Yarmouk through the Jordan Valley to the Dead Sea as well as dozens of kilometers of farm-to-market roads throughout the Jordan Valley. Most recently, a four-lane highway connecting Amman with the Dead Sea was completed in 1994.

At this point, the Jordanian road infrastructure is very well developed by the standards of most middle income developing countries and new road construction would not figure very prominently in any listing of immediate development priorities. Highway upgrades will of course continue, and some entirely new road projects--including one that would establish a more direct link between Irbid and the Sheikh Hussein Bridge--have been contemplated. Nonetheless, it is hard to make the case that USAID has something unique to offer in terms of road construction in Jordan at this particular point in time. Any significant road construction would also be hugely expensive, involve a long-term gestation period, and divert scarce USAID management attention away from other, more pressing priorities. Similar concerns exist in other transport and communications infrastructural areas such as telecommunications, rapid transit systems, etc.

E. Commodity Import Program (CIP): USAID developed and managed a \$185 million commodity import program in Jordan between 1985 and 1996. The program was well received by the Jordanian private sector, promoted important policy reform measures, and helped finance needed imports at a time when foreign exchange shortfalls were emerging as a critical development concern. To some extent, there is also a natural trade-off between a decision to initiate a policy-based cash transfer program and a policy-based CIP program; it would not seem to make sense to take on management of both such programs simultaneously, especially given the management burden already placed on USAID in Jordan. Other factors also need to be considered. For example, a CIP program is almost certainly far more management intensive than a cash transfer program. In addition, the previous rationale for a CIP program--to help finance essential, productive private sector imports at a time when foreign exchange earnings are under extreme pressure--is no longer relevant. Taking all these factors together, it does not seem to make sense to contemplate launching a new CIP program in Jordan at this time.

F. Participant Training Program: Participant training figured prominently in the USAID portfolio for decades. By some estimates, nearly 3,000 Jordanians received higher degrees from either U.S. universities or the American University of Beirut as a result of these long-term training programs. Many of these graduates now occupy important leadership positions in Jordan today. Funding for the last long-term USAID training participants ended in the summer of 1996. At this point, the workforce profile suggests that proportionately more Jordanians have higher degrees than any other country in the region, including Israel. Jordanian public as well as private universities are at this point enrolling relatively large numbers of foreign students from Yemen and even countries further afield such as Bosnia and

Malaysia. Jordan also continues to "export" relatively large numbers of skilled professionals, including doctors and engineers, who are attracted by larger salaries available in other countries.

While there are concerns that Jordan's own training and human resource development base needs upgrading and modernization, it is difficult to make the case that USAID should embark on an institution-building effort of this kind now. With regard to short-term training, such programs *will* take place within the context of specific SO; local currency programs can also be used for this purpose. However, these will be organized on a case-by-case basis. Certainly, a more generalized observational travel and study tours of the type organized for previously isolated countries within the former Soviet Union do not make sense for Jordan right now.

G. Youth Initiative: Jordan is a young society, with Jordanians under the age of 20 representing more than 54 percent of the total population. School enrollments are among the highest in the world, with 92 percent of the relevant age group enrolled in basic education, 65 percent in secondary education, and 45 percent in higher education. Female enrollment rates are comparable to male enrollment at all levels. Despite these achievements, unemployment rates among school leavers are rising. Anecdotal evidence also points to growing social problems, including drug use, among unemployed youth. Although a potentially important problem for Jordan, from a strategic USAID standpoint it makes more sense to concentrate on underlying structural issues related to unemployment within the existing strategic framework, rather than developing a new objective or set of activities revolving around a somewhat artificial "youth sector". In addition, within specific SOs, it is already possible to target this "captive" audience to some extent, for example with regard to population and environmental/water resource issues under the family planning and water SOs.

ANNEX E:
Cross-Cutting Issues and Concerns

Area of Activity	Population SO	Water SO	Economic Opportunity SO
<i>Strengthened Jordanian capacity for data collection/policy analysis</i>	-- Research, surveys, and analysis related to health care financing and fertility represent important element of this SO	-- Promotes water-related data collection and analysis as well as the design and installation of a water management information system	-- Policy analysis represents major area of focus under this SO; need to pursue ways to better integrate this research, provide "ownership" for Jordanian institutions -- "Accreditation" program for micro finance should strengthen Jordanian institutional capacity in this key area
<i>Greater attention to growth vs. equity concerns</i>	-- SO focused almost exclusively on "bottom 40 percent"; while Jordanian health sector in general is focused on high tech, curative approaches, USAID concentrates its support on issues and concerns related to public health; the new IR on health care financing also reinforces this concern	-- Assistance under this SO is targeted at improving the management of water so that municipal consumers, most of them poor and under-served, can have a regular supply; wastewater treatment programs also aim to protect groundwater and substitute wastewater for freshwater in irrigated agriculture, thereby making more freshwater available to domestic consumers	-- Micro lending component of SO represents significant attempt to address equity issues, enhance economic activity among "bottom 40 percent"

Area of Activity	Population SO	Water SO	Economic Opportunity SO
<i>Further work in Civic Society/ Associational Development</i>	-- Supports Jordanian NGOs that promote family planning; also supports Jordanian health care associations	-- Support for Jordan Environmental Society (JES) -- Activities under "FORWARD" help introduce cooperative, problem-solving approaches involving customers and stakeholders involved in water issues	-- Small grants program for business association development -- Competitive grants program for local and international PVOs committed to sustainable micro finance -- Residual grants to Jordan River Design and other local NGOs involved in small business development
<i>Enhanced community involvement, more direct impact on people</i>	-- Supports grassroots population awareness program conducted by Jordanian NGO in Wadi Mousa; also, male motivation campaign is a grassroots effort using clergy, social workers and health providers in two pilot areas in Irbid and Amman, with national expansion anticipated in summer 1998	-- Local communities have been closely involved in developing management practices and strategies related to the As-Samra treatment plant	-- Micro finance component of SO has huge potential for direct, community level impact
<i>Greater attention to women in development (WID) concerns</i>	-- SO is organized almost entirely around issues related to women and children	-- Public awareness on water scarcity and conservation issues include a focus on women and women's groups	-- Micro finance component of SO focuses on women and should have highly positive impact -- Legal, policy and implementation constraints to fuller female participation in economy should be reduced or removed as a result of policy implements of SO

Area of Activity	Population SO	Water SO	Economic Opportunity SO
<i>Greater attention to "lagging regions" of Jordan</i>	-- USAID supports activity in several areas of southern Jordan, including Kerak, Wadi Mousa and Tufilah	-- Supports design and construction of treatment facilities in Wadi Mousa and North Jordan Valley, both considered "lagging areas," though with considerable development potential	-- Micro finance component includes major new initiative aimed at the south of Jordan -- USAID supported policy implementation at IPC will streamline investment procedures for areas outside Amman

ANNEX F:
Illustrative Cash Transfer Policy Reform Matrix - FY 1997¹ TO FY 2001

Strategic Objective:

Increased Economic Opportunities for Jordanians

Intermediate Result:

Improved Environment for Sustained Economic Reform

End Results:

- A Model Business Enabling Environment that Increases Jordan's Attractiveness as a Regional Base for Business
- Increased Private Sector Trade and Investment
- Increased Public Sector Efficiency and Business Facilitation Capability

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
1.0 <u>TRADE AND INVESTMENT POLICY REFORMS</u>				
1.1 Streamlined Customs Procedures	Adoption of GOJ Action Plan to implement necessary legal and administrative reforms in the Customs Department to streamline services and eliminate legal/administrative constraints, based in part on studies conducted by USAID, GTZ, World Bank, and other donors.	Action Plan milestones achieved	X-number of specific constraints to efficient customs clearance eliminated or reduced X-% reduction in average time to clear customs X-% improvement in Customs Department efficiency GOJ-USAID survey of private importers confirms X-% of import valuations based on self-declarations X-Number of import transactions entering under duty draw-back or temporary admission schemes. X-Value of imports entering with pre-shipment certification	
		Implementation of new WTO-consistent Customs Law		

The FY97 cash transfer of \$50 million was based on economic reforms already undertaken by the GOJ and did not include specific conditionality. Future cash transfers during FYs 98-01 will be based on conditionality.

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
1.2 Streamlined Foreign/Domestic Investment Policies and Procedures	<p>USAID-funded study of investment procedures to identify administrative barriers at the level of secondary approvals; develop Action Plan to eliminate such barriers</p> <p>Develop Action Plan to strengthen the Investment Promotion Corporation (IPC) with a focus on shifting its primary role from regulatory and administrative activities to investment promotion and facilitation</p>	<p>Action Plan milestones achieved for elimination of administrative barriers to investment</p> <p>Action Plan milestones achieved for strengthening the IPC</p> <p>Review existing tax incentive schemes and rationalize and simplify such schemes; consider exempting imported capital goods from sales taxes</p> <p>Streamline or eliminate requirement for line ministry approval as a condition for registering companies</p> <p>Review policies/procedures governing access to state-owned land; streamline land administration system to allow investors timely approval for land access and leases</p> <p>Amend investment law or relevant by-laws to provide all foreign investors with guarantees against expropriation and to strengthen mechanisms for settling disputes</p>		<p>X-Value increase in IPC-facilitated foreign and domestic investment</p> <p>X-# of new jobs created by IPC-registered companies</p> <p>X-% increase in overall foreign and domestic investment</p>
1.3 Full Protection and Enforcement of Intellectual Property Rights (IPR)	<p>Adoption of agreed upon action plan for IPR strengthening and enforcement</p> <p>Trademark and Copyright Laws consistent with international standards submitted to Parliament</p>	<p>Policy, legal and enforcement constraints to WTO-consistent IPR regime removed or significantly reduced</p> <p>Established legal and institutional framework for protecting IPR</p> <p>Implementation and enforcement of WTO consistent trademark, copyright, and patent laws.</p>		

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
1.4 Accession to the World Trade Organization (WTO)	<p>WTO Office in Ministry of Industry and Trade institutionally strengthened in order to lead GOJ efforts in WTO accession process</p> <p>Inter-Ministerial mechanism for reaching consensus on WTO Accession requirements established and functioning</p> <p>Action Plan for Meeting WTO Accession requirements adopted by GOJ</p>	<p>Agreed upon Action Plan milestones achieved</p> <p>Accession to WTO and adoption of relevant laws related to WTO accession, including laws on Antidumping, Countervailing Duties, and Standardization and Certification; notification of Inquiry Points for Selected WTO Agreements</p>		
1.5 Further Rationalization of the Tariff Structure ²	<p>Reduction of maximum tariff to 30%</p> <p>Lower number of tariff bands to four: 0%, 10%, 20% and 30%</p>			

²In conjunction with the World Bank ERDL-III loan and the IMF

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
2.0 FINANCIAL SECTOR AND LEGAL REFORMS				
2.1 Prudential and Efficient Financial Intermediation	<p>Identify weaknesses in banking supervision system and adopt Action Plan to strengthen supervision and prudential regulations/operations³</p> <p>Initiate program to strengthen Central Bank Research Department's economic forecasting capabilities</p>	<p>Strengthened banking supervision system: increased reporting frequency and improved loan classification and provisioning system</p> <p>Implement new Banking Law fully consistent with Basle Agreements on banking supervision</p> <p>Established "index of economic indicators" system at the Central Bank to forecast, measure and interpret changes in economic activity</p>		X-% banks meet prudential ratios consistent with Basel Agreements
2.2 Policies Conducive to Development of Sustainable Microfinance Savings and Credit System	<p>Identification of key policy and regulatory constraints, based on USAID-Funded Constraints Analysis;</p> <p>Adoption of Action Plan by National Microfinance Steering Committee</p>	<p>Action Plan milestones achieved</p> <p>Key policy and regulatory constraints to sustainable microfinance removed or significantly reduced; possibly include provision mandating a separate Central Bank licensing system (with less stringent financial performance and personnel qualifications provisions) for microcredit institutions</p>		At least three institutions capable of providing extensive microfinance services at operationally sustainable interest levels

³In conjunction with the World Bank ERDL-III loan

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
2.3 Efficient and Well-Regulated Capital Markets	<p>Revised legal and management structures in place for: an independent Securities and Exchange Commission (SEC); a private sector stock exchange (Amman Financial Market, AFM); a private sector central depository system⁴</p> <p>Establish broker's association</p> <p>Review accounting, auditing and financial disclosure requirements for AFM listed companies; establish Action Plan with changes needed to meet international standards</p>	<p>Continue process of drafting by-laws and regulations for proper regulation/self-regulation of securities markets</p> <p>Fully Automated AFM trading system</p> <p>Central Depository System fully operational</p> <p>Establish training and certification system for brokers and investment/analysts</p> <p>Develop self-regulatory organization/mechanism for meeting internationally-acceptable accounting, auditing and financial disclosure requirements</p> <p>Develop and adopt a Strategic Business Plan for development of the AFM, with a view toward increasing size and introducing new financial instruments</p> <p>Strengthened regulatory guidelines which establish and clarify fiduciary responsibility, asset separation, and financial oversight procedures for private pension funds</p>	<p>Fully effective SEC, ensuring prudential oversight of the securities markets</p> <p>X-# of new companies listed on AFM</p> <p>Total capital raised through AFM increases by X-Value</p> <p>AFM liquidity increases by X-%</p> <p>Financial reporting and accounting systems consistent with international standards</p>	
2.4 A Sound Credit Information System		<p>Review legal and regulatory barriers to the establishment of a private sector Credit Information Bureau</p>		<p>An established private sector Credit Information Bureau that is national in scope and funded through user fees</p>

⁴In conjunction with the World Bank ERDL-III loan

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
3.0 PUBLIC SECTOR REFORMS				
3.1 Privatization of State-Owned Enterprises (SOEs)	<p>Executive Privatization Unit (EPU) fully staffed and with sufficient funding for operations</p> <p>Initiate privatization of Jordan Telecommunications Corporation (JTC) by selling 40% share to strategic partner⁵</p>	<p>Establish specific SOE targets for further privatization transactions</p> <p>Effective Privatization Public Awareness Program established and operational</p> <p>US\$XXX million in SOE assets transferred to the private sector</p>	<p>US\$XXX million in SOE assets transferred to the private sector</p>	<p>At least 5-10 major privatization transactions completed</p> <p>US\$XXX million in SOE assets transferred to the private sector</p>
3.2 Increased Role of Private Sector in Infrastructure Projects and Management Contracts	<p>GOJ to strengthen capabilities to identify, promote and tender private sector infrastructure projects</p>	<p>GOJ to continue strengthening capabilities to identify, promote and structure private sector infrastructure projects</p> <p>US\$XXX million in private sector infrastructure projects and management contracts</p>	<p>US\$XXX million in private sector infrastructure projects and management contracts</p>	<p>US\$XXX million in private sector infrastructure projects and management contracts</p>

⁵In conjunction with the World Bank ERDL-III loan

OBJECTIVES	POLICY REFORM IMPLEMENTATION: ILLUSTRATIVE RESULTS/INDICATORS			
	YEAR 2 (FY 98)	YEAR 3 (FY 99)	YEAR 4 (FY 00)	YEAR 5 (FY 01)
3.3 Improved Fiscal Management and Budget Rationalization to Enhance Public Sector Efficiency	GOJ to assess current government budget systems; identify weaknesses and develop Action Plan to improve management systems ⁶	Action Plan milestones achieved Develop an efficient budget reporting and tracking system; rationalize the budget planning system Improved budget planning and tracking procedures implemented in X-# ministries		Improved budget planning and tracking procedures implemented in X-# ministries
3.4 Transparent and Competitive Public Sector Procurement Policies and Procedures Implemented		Assess current government procurement policies/procedures; identify weaknesses and develop Action Plan to improve procurement system Adopt plan to improve tax administration system	Action Plan milestones achieved	Transparent and competitive public procurement procedures implemented in X-# ministries Implement new public procurement law and/or implement program to improve government procurement system and encourage transparency and competition, including policy/regulatory changes, training and pilot program in selected ministry(ies)

⁶Based on results and recommendations of ongoing GTZ-funded Performance Budgeting Appraisal Mission

ANNEX G:
Jordan Commercial Policy Assessment: A Comparison

A recent draft report--*Jordan Commercial Policy Assessment* (December 1997)--gives striking evidence for the considerable progress made by Jordan on the policy front in recent years. At the same time, it affirms the emphasis placed by the USAID/Jordan on policy *implementation* as a key concern over the next four years. Official policy positions on a variety of trade and investment issues are expansive, especially in comparison with neighboring countries. However, in some instances there appears to be a gap between stated policy positions and what a prospective investor finds when attempting to do business in Jordan. As the report states, "substantial further action is needed, not only to implement new laws fully, but also to address many bureaucratic issues that are not directly addressed by the reforms carried out." From a USAID/Jordan perspective, the intent is to ensure congruence between a stated policy position and what actually happens in the field.

The USAID-funded report was undertaken by SRI International for Jordan's Investment Promotion Corporation (IPC). The model draws on world-wide experience and incorporates eight major factors that play a key role in generating rapid and sustainable economic growth:

- political stability
- macroeconomic stability
- resource endowment
- labor resources
- capital resources
- infrastructure
- technology
- entrepreneurship

Based on a scale of one to a hundred, Jordan registers a score of "77," tied with Lebanon as the highest in the region. This suggests a strong, "business friendly" environment, with Jordan achieving especially high scores in the areas of export, tax and labor policies. Jordan also scored well in terms of investment incentives, minimal foreign investment restrictions, and import, pricing and interest policies. Finally, Jordan's performance was impressive when set against that of other "benchmark" countries within the Middle East and beyond:

Country	Score
Singapore	92
<i>Jordan</i>	77
Lebanon	77
Turkey	72
Bahrain	69
Cyprus	68
Israel	65
Morocco	65
Egypt	62

ANNEX H: Local Currency Uses

The initiation of a new cash transfer activity in August 1997 as part of the Economic Opportunities SO provides additional program resources to pursue USAID/Jordan and GOJ development priorities. With each cash transfer, the GOJ has agreed to deposit an equivalent amount of local currency in a special account. The local currency is then programmed according to the following priorities listed in descending order:

- (a) support for activities under USAID's three strategic objectives (water resource management, population/family planning and economic opportunities) as well as regional peace initiatives;
- (b) support for USAID/Jordan administrative expenses;
- (c) support for other GOJ development priorities including but not limited to budget and sectoral support programs (e.g., the World Bank's Social Productivity Program); and
- (d) internal GOJ debt relief.

The \$50 million provided under the cash transfer program in FY1997 made 35 million Jordanian dinars available for local currency programming during 1998. The agreement now in place emphasizes USAID and GOJ development priorities in the areas of water, health and economic opportunity. For example, more than \$23 million has been allocated to the water sector to help finance wastewater facilities in Jordan's second largest city and to improve water system deliveries in non-urban areas. Local currency also supports regional peace initiatives (e.g., TRIDE), the privatization unit in the Prime Minister's office and a plethora of medical equipment that substantially upgrades maternal and child healthcare services in USAID-supported Comprehensive Post-Partum Centers throughout the Kingdom. The local currency also provides for a USAID trust fund, expected to reach \$2.5 million, which will help meet USAID/Jordan OE requirements over the period covered by this strategy document.

As part of the stated objectives of the cash transfer activity, the local currency programming also emphasizes fast-disbursing activities of mutual USAID and GOJ interest. At times, there is an obvious tension between the importance of supporting specific development activities (which can include a long gestation and implementation period) and responding to Jordanian desires to ensure that local currency proceeds are utilized quickly rather than lying dormant in the special account for excessively long periods of time (an approach that places greatest emphasis on quick, fast-disbursing sector support or internal debt repayment).

Throughout the current strategic planning period, the Mission will continue to look for ways to expand the usefulness of local currency programming and ensure it is applied in ways that both support USAID strategic objectives and assist in Jordan's broader development priorities.

ANNEX I: MERC Overview

Since 1979, the Middle East Regional Cooperation (MERC) program has funded cooperative research projects between Israel and its Arab neighbors. The program was established in the wake of the Camp David Peace Accords. During the 1980s, activities involving Egypt and Israel predominated. Specific goals for MERC include: (1) to contribute toward peace in the Middle East by establishing cooperative relationships among individuals and institutions within the region; and (2) to contribute toward development in the Middle East through the application of research and technology.

Annual funding provided by Congress for MERC is on the order of \$7 million. Competition is stiff, with as many as eighty proposals submitted and less than a dozen ultimately approved. The activity is managed entirely out of Washington. However, over the last year USAID as well as the country team have become much more active in providing input and informally monitoring MERC-related activities in the field. Also, the number of MERC activities related to Jordan have increased to a significant extent. USAID/Jordan welcomes this expansion. In the absence of many opportunities for "building bridges" within the region, this is one initiative that continues to contribute to that goal, despite the difficulties of the ongoing peace process. Some MERC-related areas, including both water and health, also have obvious links to activities within the USAID/Jordan portfolio.

Specific ongoing MERC projects that involve Jordan at this point include:

-- *Middle East Cancer Consortium* (\$1.05 million): Involves Israel, Egypt, West Bank/Gaza, and Jordan's Ministry of Health; promotes cancer registries and other surveillance mechanisms; develops community linkages to disseminate information on cancer.

-- *EcoPeace Partnership Program* (\$338,000): Involves Israel, Egypt, West Bank/Gaza and Jordan's Royal Society for the Conservation of Nature; strengthens regional environmental partnerships; provides analytical review of the implication of the establishment of a Mediterranean Free Trade Zone.

-- *Safe and Effective Pesticide Use* (\$1.2 million): Involves Israel, Egypt, West Bank/Gaza and Jordan's Ministry of Agriculture and University of Applied Science; establishes data management service for safe and effective pesticide use; improves quality of laboratories; conducts risk analysis.

-- *Migrating Birds Know No Boundaries* (\$700,000): Involves Israel, West Bank/Gaza and possibly Jordan (discussions are now underway); tracks migrating birds via satellites or radio transmitters; determines patterns of nocturnal bird migration.

-- *Appropriate Technology for Wastewater Treatment and Reuse* (\$2 million): Involves Israel, Egypt, West Bank/Gaza and possibly Jordan (discussions are now underway); promotes research in sewage treatment technologies; designs and constructions of new wastewater

treatment and irrigation system on West Bank; provides training program for local farmers.

-- *Environmental and Development Issues in the Red Sea/Gulf of Aqaba* (\$2 million): Involves Israel and Jordan's Aqaba Region Authority and Marine Science Station; promotes study and management of shared marine resources; also involves education and outreach activities.

-- *Jordan/Israel/West Bank Fly Control* (\$1.56 million): involves Israel, West Bank/Gaza, and Jordan University; conducts research related to pest control, introduces new methods of abatement.

-- *Dead Sea Transboundary Peace Park* (\$150,000): involves Israel and Jordan; provides technical advice related to planning of a Dead Sea Transboundary Park.

-- *Elimination of Childhood Lead Poisoning* (\$189,500): involves Israel, West Bank/Gaza and Jordan's University of Applied Sciences; promotes environmental health; establishes foundation to eliminate childhood lead poisoning in Middle East.

-- *Neoplastic and Immunosuppressive Diseases of Poultry* (\$700,000): involves Israel, West Bank/Gaza, Egypt, and Jordan's Ministry of Agriculture (Veterinary Department); addresses viral-induced tumors and related poultry diseases; shares information and strategies on dealing with these problems within the region.

-- *Regional Water Data Bank* (\$2.59 million): involves Israel, West Bank/Gaza, and various Jordanian ministries; establishes regional water data banks in the region.

-- *Geological Framework Studies of Dead Sea Rift and Jordan and Israel* (\$196,000): involves Israel and Jordan's Natural Resources Authority; measures and analyzes gravity fields of Jordan, Israel and the West Bank to characterize the geology.

-- *Animal Disease Control* (\$2.3 million): involves Israel, Egypt, West Bank/Gaza and Jordan's Chief Veterinary Officer; strengthens infrastructure and research on animal diseases; improves diagnostic and control procedures; strengthens livestock industry.

-- *Education for Peace* (\$462,000): involves Israel, West Bank/Gaza and various Jordan entities; involves teacher training and curriculum development related to peace.

ANNEX J:

Summary of Water Sector Activities

Introduction

During FY1997, USAID/Jordan redesigned its strategic results framework for SO2 so that it would be robust enough to absorb possible additional funding levels. Thus, despite an eight-fold increase in anticipated funding during the 1997-2001 period, the basic strategic structure for the SO remains the same, with the overall Strategic Objective of Improving Water Resources Management achieved through the attainment of three Intermediate Results, namely (1) stronger water institutions; (2) increased efficiency in the use of water resources; and (3) improved quality of wastewater.

Specific targets and indicators to reflect performance are of course being significantly raised to take into account the dramatic increase in funding resources, and some additional refinements will doubtless have to be made as funding actually becomes available and as specific projects go forward. On the basis of already agreed upon activities, the SO target for freshwater produced or saved will increase by 30 percent, from 85 million cubic meters in 1999 to 110 million cubic meters in 2001; and the SO target for wastewater effectively treated will increase by 20 percent, from 53 million cubic meters annually in 1999 to 63 million cubic meters annually by 2002.

Existing/Previously Planned Activities

Strengthened water resource information systems, greater NGO and public awareness about water issues, and policy reform will remain as central, core activities under the SO throughout the strategy period. Progress on the policy front is absolutely critical to sustaining any other gains made in the water sector. Activities will focus in particular on (1) promoting private sector involvement in the management and finance of water infrastructure, both municipal and agriculture; and (2) adjusting water tariffs to facilitate O&M cost recovery in agriculture and complete cost recovery (including, eventually, capital costs) for new urban infrastructure.

With regard to on-farm irrigation efficiency, the goal is to move from an average of 53 percent in 1996 to 62.5 percent in 1999, in part through the creation of an Irrigation Advisory Service and changing the irrigation scheduling system from rotational to on-demand. With regard to wastewater treatment, the Wadi Mousa treatment plant is going ahead as a result of funds made available even before the dramatic increase in additional program funds for Jordan. This plant will serve 23,000 people in the Wadi Mousa area and generate one million cubic meters of treated wastewater reusable for agricultural purposes. It will also help protect Petra, Jordan's premiere tourist attraction and World Heritage Site.

Expansion of Existing Activities

The \$10 million emergency repair program at the As Samra wastewater treatment plant outside Amman was completed in FY1997, making a large and badly needed contribution to Jordan's wastewater treatment capacity in the greater Amman area. In the absence of a new

infusion of funds, follow-on USAID activity in this sector would have been confined to modest amounts of technical assistance for feasibility studies needed to secure financing to implement the greater Amman wastewater master plan. The plan itself envisages some \$365 million in new investments through 2015, resulting in 150 million cubic meters of treated, reusable wastewater each year and serving an estimated 3.7 million people. Given the dramatic increase in funding, USAID will now be able to help finance a significant portion of the master plan. Increased funding availability will also strengthen USAID's role in furthering policy reform objectives related to enhancing cost recovery and ensuring greater private sector involvement in managing and financing urban wastewater treatment in Jordan.

New Activities

A number of significant new activities are being financed as a result of the increase in USAID funding for Jordan. These include the following:

- Twelve springs and wells, primarily in the northern part of Jordan, will be rehabilitated at a cost of approximately \$10 million. This will provide 25 million cubic meters of fresh drinking water annually, meeting the domestic needs of 300,000 people.
- Approximately \$8 million will be provided to improve the King Talal Reservoir, reducing stratification and sedimentation problems. This will support efforts to reuse treated wastewater and raise the overall efficiency of irrigation in the Jordan Valley.
- Approximately \$60 million will be provided to improve the Amman water distribution system, reducing unaccounted for water losses from roughly 52 percent to 35 percent and "saving" approximately 17 million metric cubic meters of water annually. Operation and maintenance cost recovery rates are also expected to increase from the current 100 percent level to 125 percent by 2001.
- Approximately \$15 million will be provided to expand the Aqaba sewage system serving 82,000 people and providing 6 million cubic meters of treated wastewater each year. This will also improve water quality at the northern end of the Gulf of Aqaba, where the globally significant Aqaba International Marine Peace Park is located.
- Approximately \$26 million will be provided to construct wastewater treatment facilities at North Shuneh in the Jordan Valley, serving 60,000 people and providing 3 million cubic meters of treated wastewater each year. This new facility will also help improve the water quality of the Jordan River.

ANNEX K:
Summary of Other Donor Activity, 1994-1997

Foreign Government Donor Agencies	Water	Population	Economic Growth	Comment
Canada (CIDA)	X		X	Grant assistance level was approximately \$23 million over the last four years. Includes programs to support structural adjustment as well as sector-specific activities related to water, economic growth, governance and WID.
European Union	X	X	X	Jordan's largest single grant donor over the past four years. Assistance levels were approximately \$220 million and directed mostly to balance of payment support and structural adjustment. The program also supports industry, human resources development, water and population.
France	X		X	Grant assistance level was approximately \$5 million. Focus is mainly on the water and financial sectors. Bilateral loans amount to approximately \$145 million; export credits stand at approximately \$635 million.
United Kingdom	X		X	Grant assistance amounted to approximately \$32 million, mostly directed to general development activities. Includes policy reforms and technical assistance related to privatization and financial sector reform. Export credits stand at approximately \$617 million.
Germany (incl. KFW & GTZ)	X	X	X	Assistance level in the range of \$30 million. Works mainly in water and civil administration. Bilateral loans amount to approximately \$527 million; export credits stand at approximately \$21 million.
Japan (incl. OECF, JICA & Eximbank of Japan)	X	X	X	Jordan's third largest grant donor over the past four years. Total grant assistance was approximately \$90 million, mostly directed to general development activities. Bilateral loans amount to approximately \$1.5 billion; export credits stand at approximately \$347 million.

International/Multilateral Agencies	Water	Population	Economic Growth	Comment
Arab Fund	X		X	Does not provide grant assistance to Jordan. However, outstanding multilateral loans extended to Jordan now stand at approximately \$523 million
IMF			X	Does not provide grant assistance to Jordan. However, outstanding multilateral loans extended to Jordan now stand at approximately \$339 million
The World Bank	X	X	X	Grant assistance was approximately \$11 million and concentrated mostly on the environment. Outstanding multilateral loans extended to to Jordan now stand at approximately \$1 billion. Coordinates closely with USAID/Jordan on all aspects of structural reform program, as well as on sector-specific issues.
UNDP	X		X	Assistance level was approximately \$12 million over last four years. Works mainly on general economic development, supports donor coordination, and cooperates closely with USAID in key areas such as microenterprise development.

ANNEX L: Selected Bibliography

A. Major USAID Programming Documents

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Export Incentives and Technological Capabilities: An Outward-Looking Strategy for Jordan (World Bank, February 1992)

ANNEX M:
Map of Jordan

(Not on WP 5 -- this item must be inserted separately)

ANNEX M:
Map of Jordan

